The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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PUBLISHER

What's Ahead for the Market?

By A. T. Miller

Washington's Next Move

By John C. Cresswill

Outlook for Leading Industries

By John D. C. Weldon

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and BUSINESS ANALYST

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With The Editors

Investors Let Down

LARGELY because of the reforms imposed by the Roosevelt Administration, the number of speculators caught in this year's drastic decline in the stock market has been relatively small. Brokers' loans at no time during the New Deal bull market reached more than a small fraction of their total in the 1929 spree. It was a cash market to a greater degree than ever before. As between the small speculators who have bought on tips and hunches in this market and the horde who did so in 1929, the ratio is hardly more than one to ten.

But it is an ironical fact for the New Dealers to contemplate that more individuals who regard themselves as conservative investors have been hurt in this collapse than were hurt in the 1929 crash. There are more shares of stock listed on the New York Stock Exchange than during the last boom. Since there are fewer shares in speculative hands now than formerly, it follows that there are more in investors' hands.

The reason that conservative investors went into common stocks in recent years more heavily than before is obvious. Whereas formerly there was only one motive that could lead investors into equities—yield and prospect of speculative appreciation—in this instance there was a strong additional motive: namely, protection against inflation. Mr. Roosevelt was tinkering with the price of gold and announcing his determination to bring about a major rise in prices. Congress passed a law not only authorizing revaluation of the dollar but issuance of $3,000,000,000 in greenbacks. The Government plunged deliberately into huge deficit financing, steadily inflating bank deposits. The inflationists in Congress yelled for something to be done for silver, in order to cheapen the dollar still further.

The economists of the country worked overtime grinding out expert treatises on the subject of inflation. Great institutions with large endowments transferred a portion of their funds from bonds to stocks. People were warned that in making wills or establishing trusts they should make provision for trustees to invest in equities.

And now, these conservative people, rather than speculators, are "holding the bag." Has there been any real change in the investment fundamentals? If so, it is not visible to the naked eye. The longer range alternatives facing this country in the spring of 1933 were recovery or inflation. They are still the only two eventual alternatives, for the one thing the New Deal cannot stand is a protracted deflation, which would be political dynamite.

IN THE NEXT ISSUE

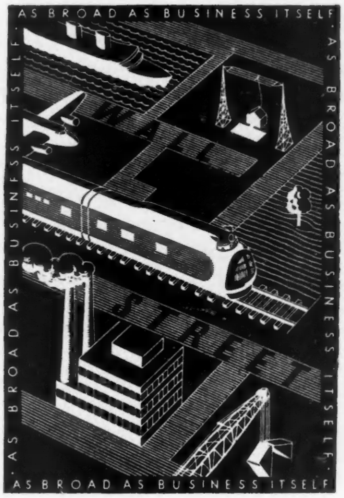
The Outlook Through the Year End

Is Business Near Bottom? Will 1938 Bring a Rebound?

BY JOHN D. C. WELDON

THE MAGAZINE OF WALL STREET

E. Kenneth Burger, *Managing Editor* : C. G. Wyckoff, *Publisher* : Theodore M. Knappen, Laurence Stern, *Associate Editors*



The Trend of Events

CONSTRUCTIVE CRITICISM . . . The most carefully prepared and comprehensive factual analysis of the causes underlying the collapse in the stock market has been made in an 8,000-word statement issued by Winthrop W. Aldrich, chairman of the Chase National Bank. Mr. Aldrich concludes that the chief cause of the disaster is to be found in unwise Federal tax policy and in excessive official curbs on responsible speculation, the net result being a market so devoid of breadth and liquidity that when even moderate liquidation developed it could not be absorbed without disproportionate reaction.

He emphasized the obvious fact that a broad and active securities market is of primary importance to investors, to corporations, to the Treasury and other public bodies, both as borrowers and tax gatherers; and to the banks as lenders, investors and trustees; and for this reason urges that the impaired efficiency of the market calls for prompt correction. Such correction, he adds, could be accomplished without abandoning the underlying policy of eliminating abuses. To that end he suggests that the high tax on capital gains should be changed to a low rate flat tax, which would increase Treasury revenue; that the rule regarding trading by insiders can be changed so as to restore protective action by insiders on breaks and still prevent unfair use of inside information; that margin requirements can be made a more flexible instrument of control, rising on booms and declining on breaks; and that the great range of uncertainty regarding what is allowable in the activity of specialists and other dealers can be greatly reduced by prompt and clear definitions by the S E C.

Mr. Aldrich does not speak for frenzied finance or unregenerate speculation. He happens to be a post-1929 banker and, indeed, represents a wholesome "New Deal" in the management of the biggest bank in the country. Whether one agrees wholly with his views or not, his criticisms are objective and constructive. They certainly merit the attention of an Administration which apparently has lost sight of the reality that a broad and liquid market is vital to the successful functioning of our economic system.

EYES TURN TO CONGRESS . . . Although business men instinctively breathe a bit easier when Congress is not in session, there is nothing in the history of the past few years to indicate that sales, prices or profits are importantly affected by this consideration. At any rate there is nothing to be done about it, for under a democratic government recurrent sessions of Congress are part of the game; and certainly in the present setting it makes not a bit of difference to business that our national legislators will get on the job on November 15, at special call of the President, rather than meet six weeks later in regular session. Maybe this will make the regular

session shorter—as is intended—and that would be to the good.

It is a formidable and ambitious program that the President asks to have enacted with all possible speed: the wage and hour legislation, a broad farm bill, anti-trust legislation, government reorganization and the regional planning measure which is better known as "the seven T V A's." To handle all of these in six weeks would require a "bum's rush" through a rubber-stamp Congress. We have had too much of that sort of thing and—fortunately—there are indications that Congress is in no mood to say, "Yes sir," quite as promptly as it formerly did. For the present there is nothing in the program that we can debate, since the final form of the more controversial measures is yet to be shaped.

We have a suggestion for the future, however, which we are sure the country would approve. Why not have a special session every autumn devoted exclusively to reconsidering the legislation previously adopted, checking its actual results against what had been expected, considering practical revisions? Second thought often is a lot more valuable than new ideas, which also may be foolish—as foolish, for example, as the bright idea of the undistributed earnings tax turned out to be.

SATISFYING NOBODY . . . The American Federation of Labor hotly charges that the National Labor Relations Board is biased against it and in favor of the C. I. O.; and it demands that Congress do something about it. But with equal vehemence the C. I. O. says the reverse is true and that the Board has unduly favored the A. F. of L. in its decisions. We wouldn't know about that, but one bias of the Labor Board is quite certain' and that is its bias against employers. In all fairness, however, it must be said that this is not its fault. The law itself is one-sided and biased. The employer cannot even invoke it, and the labor unions invoke it only when it accords with the strategy of the moment to do so.

If ever a law cried aloud for wholesale revision, this is it. It has not brought peace between labor and management. It is powerless to halt the A. F. of L.-C. I. O. battle royal, in which many innocent bystanders are going to get hurt. Since it satisfies neither business nor either of the two dominant labor groups, why not tear it up and write a new law?

ANOTHER GAMBLE . . . A tremendous cotton crop and decline in the price of this staple have apparently stampeded many members of Congress in favor of a renewed experiment in Federal crop control. Actually the cash return on the enlarged crop, plus Government benefit payments, will leave the cotton farmer about as well off as he was a year ago. Nevertheless, political eyes see another acute farm emergency upon us.

Under this and preceding Administrations the Government has been trying to solve the perennial "farm problem" for years. The fact that it is still with us would seem to suggest that it may in the end be beyond the wisdom of politicians to find a genuine solution. While the size of the present cotton crop is taken as pointing to the need of Federal control, the *reasons* for its size reveal precisely why attempted control can only be a gamble. This crop was not made on abnormally large acreage. It resulted from abnormally favorable growing conditions through the season and record high yield per acre. No planner at Washington can forecast next year's cotton or wheat yield, and even if he guessed it right the size of the crops would not necessarily determine the prices, for they will depend upon world supply-demand as well as upon domestic factors.

We do not deny that the farmer—buying in a tariff-protected market—is entitled to equitable consideration by the Government, but we sometimes wonder whether the one-crop farmer, who is the crux of the farm problem, would not be better off with more adjustment of his own way of life and manner of doing business and with less dependence on Washington. We wonder about this especially when we see farmers in the East—including many on poor New England soil—getting along quite comfortably, not anxious to have the Government tell them what and how much they should plant and not at all desirous of being "resettled." A Congressional committee has been sounding out opinion among Western and Southern farmers as to what should be done. Why not ask a few successful and satisfied farmers from Pennsylvania and New England how they do it? Maybe there is a secret formula that Washington doesn't know about.

THE BRIGHT SIDE . . . Every now and then our economic system—like a motor vehicle—finds itself in need of repairs and adjustments. Unlike the motor vehicle, it has a way of adjusting itself as supply-demand forces press for balance. The bright side of the apparently adverse business changes now going on is that they represent virtually automatic and forced adjustments through which the system is working back to a healthy balance. The pessimist can emphasize the temporary pain involved in the process. The optimist can see that only by getting on with the needed repairs can the vehicle be made ready to carry us forward again.

Business buying is on a hand-to-mouth basis. Prices are being whittled down here and there. Output of cotton textiles and rayon is being curtailed. Steel production is pulled down in line with incoming orders, and probably under current consumption. The tire companies, hoping to continue a two-year record without chaotic price slashing, plan to curtail operations. Copper producers are slowing down, watching surplus stocks closely. These and many other "unfavorable developments" are needed adjustments, bringing us nearer a turn for the better.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 8. The counsel embodied in this feature should be considered in connection with all investment suggestions, elsewhere in this issue. Monday, October 18, 1937.

As I See It!

BY CHARLES BENEDICT

THE BUSINESS OF WAR

WAR has become a factor of increasing influence to business in recent weeks. On the one hand, threats of world conflict in which we would inevitably be involved have tended to frighten trade, finance and industry into an expansion-killing cautiousness. On the other is the suggestion of an arms program that would stir business activity to new heights—even though unsoundly.

Of the two forces, the latter is the more likely of realization; for despite all the menacing gestures, and even in the face of actual combat in Spain and the Far East, the probabilities of an early change from our present status is unlikely. In the Far East it appears that only Russian, French and English "volunteers" will participate on the side of China. In the Mediterranean the situation will continue on the same basis at least until next spring. Nevertheless, preparation for war will go on—if anything at an accelerated pace.

War preparation, the building of ships, the manufacture of arms and munitions is, indeed, the popular mode of economic resuscitation. Unsound in principle and morally deplorable though it is, it has been used effectively to activate the machinery of trade and industry in the dictator countries and more recently, regardless of credit strain or budgetary unbalance, Great Britain has embarked on a huge program of rearming. Already it is producing greater activity in her industries, although obviously at the expense of considerable essential production.

All this preparation for war and the waging of various undeclared conflicts is affecting the United States in two ways. First, the fact that other nations are giving over a substantial portion of their normal productive machinery to munitions means a larger volume of orders from this country for much equipment and many products which countries are not producing for themselves. That explains the heavy demand for machinery and tools for export. It is probable that Britain will spend as much as a billion dollars here within the next year or more, and it is understood that parleys have been undertaken to find the way in which such purchases may be financed without accelerating the flow of gold here and without Britain seizing the American securities of her nationals and dumping them on our markets.

The second effect on us of the world's war alarms is obvious in the President's recent demand for observance of the sanctity of treaties and its implications of a more active part in world moves toward peace or war. While every avail will be made towards preserving the former, the inference is clear that we must prepare to back our stand with force if necessary. The suggestion of a two or three billion dollar arms program is not idle vaporing. Admittedly the allotments of the present administration, including appropriations for the 1937-38 fiscal year, have amounted to over two billion dollars to the War Department and two billion seven hundred million dollars for the Navy, and that two large battleships have been authorized, not to speak of many smaller craft, but all this is small in relation to what may be done in the months to come.

Our steel mills, aviation manufacturers, machine builders, metal fabricators and a host of other producers are destined to receive an increasing volume of business both from foreign sources and our own domestic requirements.

The shadow of Mars may supplement normal business expansion to produce highly active conditions in 1938.

Pictures, Inc.

What's Ahead for the Market?

BY A. T. MILLER

JUDGED by the pattern of the past two months, recent extension of the decline by approximately 20 points in the Dow-Jones industrial average should now be followed promptly by technical rally—but positive indications of a termination of the deflation and of the establishment of a solid base for a worth while intermediate recovery have not yet been provided.

Measured by every normal investment consideration, stocks look absurdly cheap. Yields are fantastically high in comparison with prevailing money rates; and even if one were so pessimistic as to assume that dividend payments during the next twelve months may be only half those of the past twelve months, the return on many sound stocks nevertheless would be abnormally high in relation to yield on high grade bonds.

It is no wonder that business men are incredulous and that they are mystified by the magnitude of the collapse in the stock market. They note that third quarter earnings reports are generally excellent. They know that the change in the business trend thus far has been far milder than the change in the market. They are unanimous in regarding this period as one of temporary readjustment—very likely to prove neither longer nor more severe than the business reaction of 1924—and they scoff at the thought of sliding into a new depression before we get out of the last one. They point out that at no time did speculation reach serious excess, as proven by the low volume of credit represented by security loans. They observe that there has been no over-expansion of capital facilities or of construction, but that, on the contrary, such activities have fallen away from a depression level, leaving great accumulated deficiencies needing to be made up. In short, they see none of the conditions which ushered in past depressions.

And yet the percentage decline in the market from March high to recent low has been greater than in the memorable 1929 crash, as shown by this publication's representative index of 330 equities—an index which, unlike the Dow-Jones averages, reflects, roughly, 90 per cent of the total trading volume. By the same measurement, the market as this is written stands a bit under the best level of July, 1933, which means that all of the net advance of three years and ten months has been cancelled.

Comparing present credit factors, business volume and earnings with those of the summer of 1933—and assuming that an economic recession equal to that of 1924 and lasting well into 1938 is probable—stock prices seem out of line with the business and credit realities.

The degree of this apparent discrepancy suggests very strongly that much of the trouble has been with the internal mechanism of the market, as so ably expounded in the exhaustive public analysis of the collapse recently made by Mr. Aldrich, the chief of the largest bank in this country. Many observers, including ourselves, doubted the wisdom of the excessive restrictions ruthlessly placed upon the market in 1933 and 1934. Many, including ourselves, pointed out that their ultimate test would not be met until the bull market ran into trouble—but we know of no one who, prior to September, visualized the full scope of the damage that had been done to the market mechanism by well intentioned Federal reforms which are now shown to have harmed legitimate investors more than they have been helped.

It is pointless to try to apportion the fault among the various Federal restraints, but certainly the composite effect of confiscatory capital gains taxes in the higher brackets, the bar on "insider" speculation, high margins, S E C activities and other curbs has been to make the market thinner than ever before and more defenseless than ever before to liquidating pressure. How serious this impairment of liquidity is can be realized when it is noted that since mid-August only 4 per cent of the total number of shares listed on the New York Stock Exchange have changed hands, yet in this period the market has declined some 35 per cent in our index and 28 per cent in the Dow-Jones industrial index. Never before in the history of the market has so serious a slump been brought about on so small a volume of transactions. Hence, the real abnormality has not been the scope of the liquidation but the paucity of buyers and the wide spreads between bid and asked quotations.

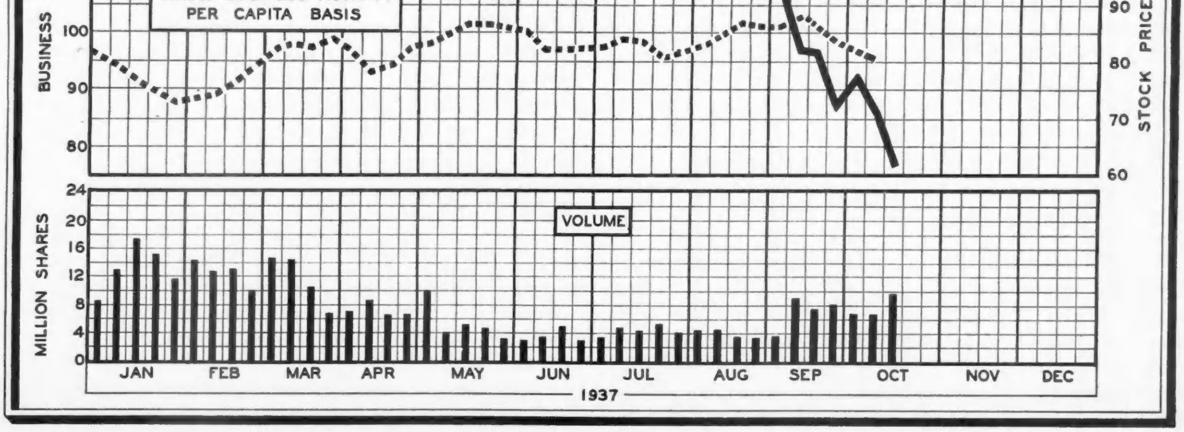
It is therefore probably accurate to say that while the decline itself has produced fear regarding the future course of business and corporate earnings, the biggest fear among sophisticated investors and speculators—both domestic and foreign—has been fear of the market itself. It is something new and strange and enormously disturbing that stock prices can break out of all proportion to apparent economic or credit probabilities—and people naturally fear the new and the strange. On the advance the changed technical conditions worked

Recent rapid deterioration of prices may represent a climax. Although we regard the market as being in a definitely attractive buying range, conclusive proof of a change in intermediate trend remains to be supplied.

in reverse and many people were surprised by the infrequency and small scope of technical reactions, just as they have been dismayed during most of the August-October decline by the infrequency and small size of technical rallies.

Nevertheless there will come a time when the sheer attraction of investment yields outweighs all doubts, both internal and external; and we feel that such time is very near, if not immediately at hand. For one thing, we have seen informed and intelligent scale-down buying by large interests over the past several weeks. We have seen liquidation increasingly motivated by speculative necessity or by an unreasoning panic of fear. None is more bearish than the bulls of a month ago. On the basis of what we see, we would not advise letting go any stocks here. We regard the market in general as being in a range attractive for scale-down investment purchases, although, of course, the safety first policy—especially as to speculative commitments—is to await evidence of stabilization over a reasonable period, as reflected in the market's own action. Naturally, one will pay more than bottom prices in following such a course, but the risk will be minimized without missing more than a moderate proportion of the substantial intermediate recovery that will inevitably develop, whether it starts from the present level—as is quite possible—or not. After a decline so severe, straight-line recovery of any major percentage of the ground lost since mid-August is highly improbable. There will be the usual belated selling for the market to absorb and the usual secondary reaction, with all eyes watching to see whether at last this one will stop short of former lows.

There is no reason to fear that developments in business between now and the end of the year will give the market fresh cause for alarm. The trend of the adjusted business indexes very likely will continue downward to a probable bottom in December, but the market has already discounted more decline in volume and profits than can possibly occur this year or that is likely to occur next year. Indeed, it should soon begin to anticipate some improvement in the economic picture after the turn of the year, for a January-February rebound, even under adverse conditions, has always been one of the strongest of business habits. Then, too, deflation certainly is not going to get any immediate help from Washington. Although none can forecast what this Government is going to do, it will surely do something—and the *intent* will be to help the bull cause.



A decline in commodities, a slowing up in business and the worst break in securities since 1929. This is a managed economy:

What is Washington Going to Do About it?

BY JOHN C. CRESSWILL

THE Roosevelt Administration is firmly committed to the difficult obligation of "controlling" the business cycle and the commodity price trend. Moreover, if the New Deal is to preserve itself in political power, expanding economic activity and national income are imperative necessities. For both of these reasons, Washington is deeply concerned by severe decline in security and commodity prices and by the obvious beginnings of a business recession of more than minor scope and duration. Inevitably the Government will have to "do something about it." What can it do? What should it do?

To begin with, the New Deal "managed economy" is a loose aggregation of many policies and devices. Regulation of bank credit, financing and stock speculation is only one aspect. Taxation is increasingly used with the aim of social reform and economic regulation. Directly and indirectly, higher wages and shorter hours are sponsored on the faulty reasoning that this is at once reform and economic stimulation. With insufficient attention to the need of a vast increase in the production of new wealth, there is continuing emphasis of the New Deal's purpose to shift available income from the "haves" to the "have-nots." Through the entire program runs a deep antipathy to and distrust of business men and bankers; and a determination to gather into the hands of the President the maximum possible powers of economic regulation. Changes in policy and method are so frequent that what Mr. Roosevelt may or may not do has become literally the No. 1 question in the business and financial mind—a continuing source of deep uncertainty, a continuing shackle on the intangible but vitally important factor of business and investment confidence.

In the existing setting it is utterly fatuous to suppose that the desired results can be had if the President simply presses this or that button. Too much reliance has been placed on legislative and administrative coercion, with inadequate recognition of its shortcomings. In "managed economy" it is especially true that nothing succeeds like success; and, conversely, failures are disastrous. Last year, campaigning for re-election with business expanding, the President said, "We planned it that way." Early this year he and his associates "planned" to give a mild check to what appeared to be an incipient boom—but what followed—the wholesale bank liquidation of Government bonds, the drastic collapse of the stock and commodity markets and the reversal of the business trend—was not "planned." On the contrary, it was an unpleasant surprise.

Now if "managed economy" is to work, people must *believe* in its magic; and they can believe in it only so long as it maintains at least a plausible appearance of knowing what it is doing. The present deflation is a staggering blow to the prestige of New Deal "management." That is why the prompt renewal of reflationary efforts—such as the lowering of rediscount rates, desterilization of $300,000,000 of gold and Federal Reserve open market operations—proved powerless to halt the slump. That is why reassuring statements emanating from Washington officialdom now do more harm than good.

It is clear that extraordinary efforts are going to be required to get a soundly-based economic recovery under way again, and that minor "shots in the arm" are very likely to fail. Money rates are extremely low and there is no shortage of bank credit. Further lowering of interest rates or further expansion of the credit potential would be futile, for the business horse can be led to water but all the power in the New Deal can not force him to drink. Easing of stock margins might readily be taken as a gesture motivated by fear at Washington, and thus inspire further speculative fear.

Yes, New Deal "management" is at a fork in the road. The alternatives are further deflation—which is politically impossible—; an unsatisfactory compromise which would mean a succession of intermediate ups and downs in business—all within a depression range—; or a major inflation which can only take two forms: one, an inflation of fright sufficiently effective to force general spending; the other an inflation of confidence resulting

in more active use of available bank money and a revived flow of savings into long term investment through new corporate financing.

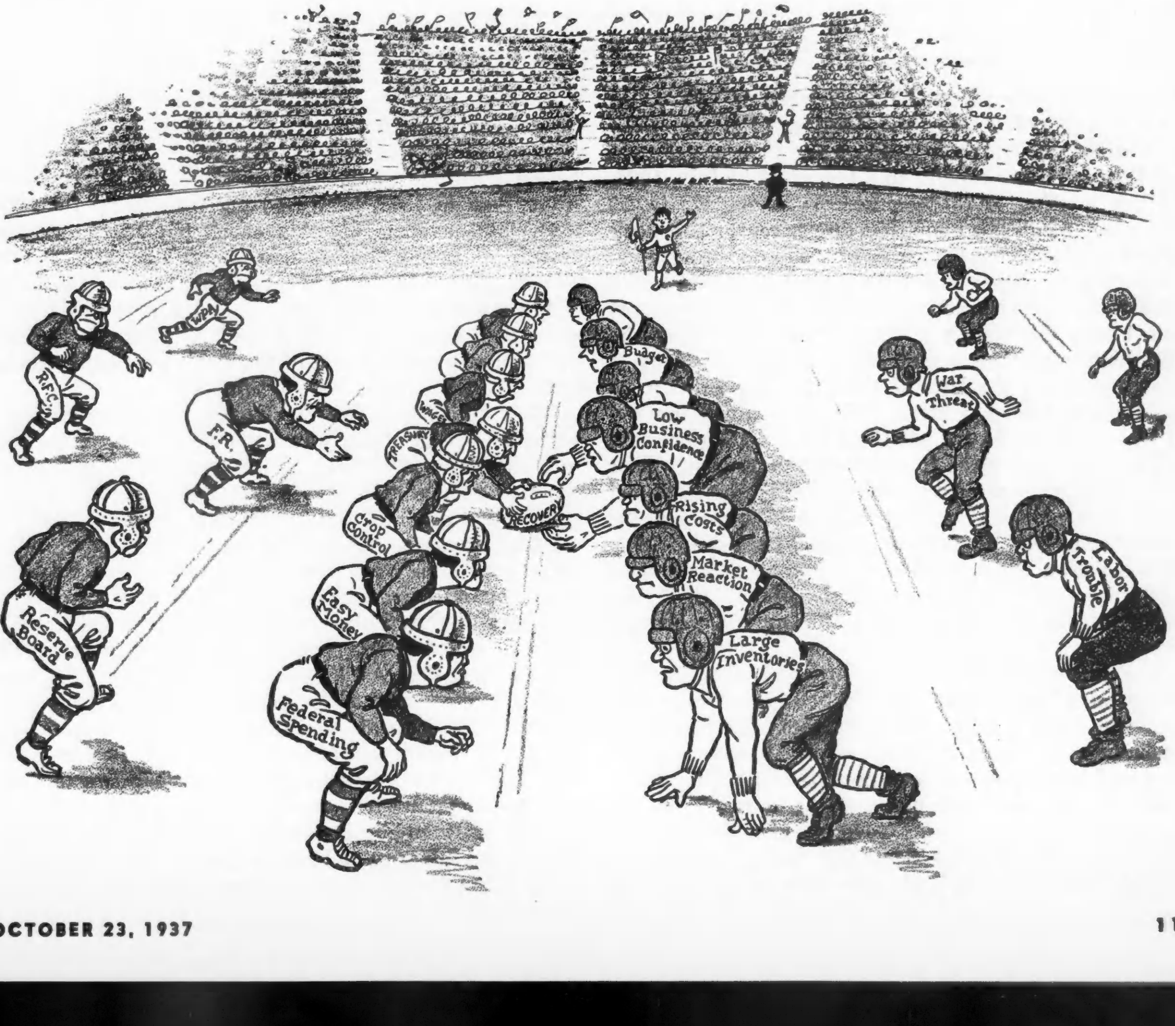
An inflation of fright would necessarily be coercive. To bring it about the Government would have to renew large scale deficit financing, which both inflates bank deposits and forces artificially created purchasing power into the economic system. Not only would this be ultimately disastrous, destroying the last vestige of faith in the New Deal theory of credit management—emergency "pump-priming" to be followed by a transition to private credit initiative—but there are major practical and immediate obstacles with which such a policy would meet. Because of an already high ratio of liabilities to capital, the banks generally are neither able nor willing to finance a further major inflation of the Federal debt.

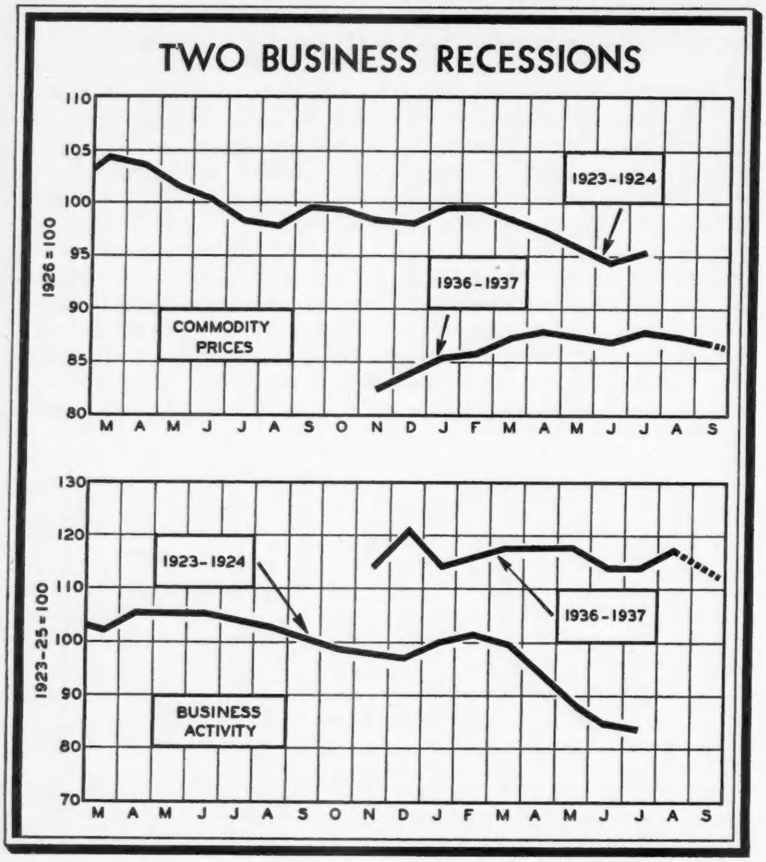
On the other hand, an effective inflation of business and investment confidence can only rest on co-operation, rather than coercion; and to bring it about would require some major changes in the Roosevelt policies and philosophy—some of which changes do not fit in with expedient politics. No change that does not give the business man, the investor and the responsible speculative-investor a substantially greater incentive to risk capital commitments will be effective. No change that does not put emphasis on the creation of new wealth ahead of the mere redistribution of existing national income will be effective.

At least as to fundamentals, economic and financial history has a way of repeating itself with remarkable consistency. A full understanding of the magnitude of the problem that the Roosevelt Administration now faces—and will face for some time to come—can be had by comparing our present situation with that of 1923-1924, both as to similarities and differences.

Early in 1923 recovery from the 1920-1921 depression reached a stage with some of the earmarks of incipient boom. Surplus stocks of materials gave way to temporary scarcity as revival of durable goods industries suddenly expanded demand and speculators stepped into the commodity markets in competition with business buyers. Our credit "managers" of that day did not realize that the temporary price boom had appeared at some stage in every past recovery from depression or that it would inevitably correct itself as speculators took profits, quotations reacted and forward buying by business men terminated. Instead of letting nature take its course, they put on the brakes through deflationary open market operations by the Federal Reserve System and a raise in rediscount rates.

March, 1923—when official and unofficial excitement over the runaway commodity price boom was at its height—was the peak of the boom. Over the next fifteen months commodities sagged irregularly but persistently downward, the broad index of the Bureau of Labor dropping from 104.5 to 94.9, and with—as usual—a much more severe decline in sensitive spot prices and commodity futures. Business activity, as measured by the Reserve





either for reform or economic regulation, and savings were flowing into long term investment — financing expansion of capital facilities — at a high rate. Checks upon capitalistic endeavor and the profit motive were few and reasonable.

Nevertheless, in that setting business activity suffered a decline of more than 20 per cent. Are we more likely or less likely to experience a comparable reaction in the present setting? Is it more or less likely that any simple moves of credit reflation will prove as effective as they proved in the summer of 1924? To any intelligent mind, these questions virtually answer themselves.

Today the Federal easy money policy has gone to such lengths that it can no longer be used as a device for prompt stimulation. The rediscount rate stands at a record low of 1 per cent. It wouldn't make any real difference if it were cut to ½ of 1 per cent. Open market purchase of Government bonds may tend to check liquidation of gilt-edged bonds, but obviously has no present meaning to lesser grade securities or to the business man. Renewed expansion of excess bank reserves — the credit potential — means little in a period in which we are making nowhere near maximum use of the existing credit supply.

Board's seasonally adjusted index, made a peak of 106 in the late spring of 1923, sagged downward the rest of the year, rallied moderately in January and February of 1924 and then fell away rapidly to a low of 84 in July, 1924, the net reaction in thirteen months amounting to 22 points in the index or more than 20 per cent. The stock market declined from the spring of 1923 into the autumn, whereupon the Reserve Board reversed itself and began reflationary open market operations. The stock market rallied into the winter of 1924, without reaching the 1923 high, and then sagged down again. By May it was threatening the lows of the preceding autumn, so the Reserve Board reduced rediscount rates from 4½ to 4 per cent on May 1, cut them again to 3½ per cent in June and once more to 3 per cent in August. That series of easy money moves ushered in the greatest and most disastrous bull market in our history—and the credit "managers" so well remembered the painful 1923-1924 deflation which resulted from what they thought was only a mild application of the brakes, that they did not again risk slapping them on until it was much too late.

The similarities between the above and what has happened since March, 1937, are too well known to require comment. But consider the differences. We had a pro-business government in that period. Among business men and investors there was no initiative-killing uncertainty as to what Washington might or might not do, no general distrust of the Government's objectives or methods. The Federal debt was being reduced, although taxes were moderate and were not being levied

Demand deposits—excluding deposits of other banks, Government deposits, foreign bank deposits and "float" —stand at approximately $21,300,000,000 and this "working capital" of the business world is nearly a third larger than in 1929, nearly 50 per cent larger than in 1924. But average monthly check payments, despite growth of population, remain about one-third lower than in 1924. As for new capital financing—life blood of heavy industry expansion—the total of the past *five years* does not equal that of the single year 1924 and but modestly exceeds that of the single year 1923, when business and markets were declining.

What inducement has the large capitalist to risk investment—either directly in a new factory or indirectly in a new issue of stock? If his venture is profitable, the Government will tax away a major portion of his gain. In a nutshell, the Federal tax policy applied to wealthy investors and speculators is: "Heads, we win; tails, you lose." If our profit-and-loss system—the health of which requires confident re-investment of savings into wealth-creating enterprise—can function with full satisfaction to any element of our people under such a tax policy, that will be something new under the sun. And to make sure that corporations shall not have savings for re-investment—and that new and growing enterprises will have a millstone draped about their necks—the New Deal has found a perfect "remedy" in the undistributed profits tax.

There are many business men and bankers who possess intellectual integrity and social vision, as well as a hard-headed knowledge of eco- (*Please turn to page* 58)

The Foreigner Buys and Sells America

A Consideration of the Extent and Influence of Foreign Investments in Our Securities

BY H. M. TREMAINE

In the good old times of normalcy when the United States was a dependable international debtor, the international exchange of goods and credits was as natural as rain. We owed huge sums of principal and interest to foreigners on capital account, and we paid them off with goods that we had in abundance and the foreigners wanted avidly. International trade then was really *trade* —our economy was founded on substantial goods rather than on intangible bookkeeping entries.

Disposing of an international balance is child's play when the debtor country has a surplus of goods that the creditor country wants. Maybe it would not have made very much difference in those years when we were glad to owe foreigners on capital account and equally glad to pay them off in pork and potatoes, ham and eggs and such like, but the World War changed all that.

In these days when we are not only international shopkeepers and vendors of commodities, but are also bankers and lenders to other nations, it makes a lot of difference who owes who.

Considerable light is thrown on the situation by a recent study of the Finance Division of the Department of Commerce which provides at last an adequate statistical basis for estimating annual interest and dividend payments by United States concerns to investors residing in foreign countries. The study however does more than that, for it affords data on the extent of foreign holdings of American securities and other investments in this country.

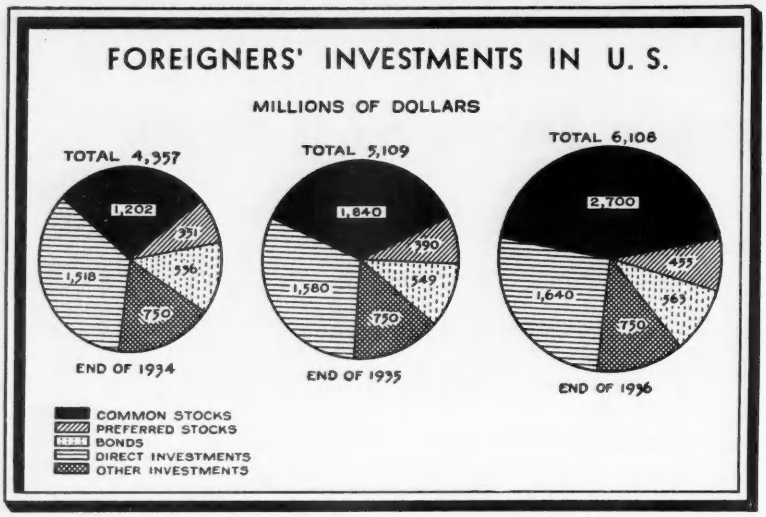
The total interest and dividend payments by this country to investors residing abroad in 1936 is estimated to have aggregated $238,000,000, as compared with the corresponding interest and dividend receipts of $568,000,000 on American investments abroad.

There is little need to go beyond this item to understand the persistent menace of "hot money." On this item alone, it is obvious, the United States is in receipt of $300,000,000 a year that it doesn't need, and actually dreads. Here is a pretty ugly phase of what might be called an economy of abundance that breeds an economy of scarcity. We have no use for this symbolic wealth and God knows that the poverty-stricken old world ought to have use for it. Kept at home, the money could very well be used by the pretty well socialized governments of the old world. Over here our capitalistic economy finds little use for it. Tattered, torn

Foreign Long-Term Investments in the United States by Countries, End of 1934

(In millions of dollars)

Type of Investment	Canada	United Kingdom	France	Netherlands	Switzerland	Other Europe	Latin America	Rest of World	Total
Direct investments (book value)	367	678	24	224	91	68	6	60	1,518
Common stocks (market value)	333	233	81	133	101	47	13	261	1,202
Preferred stocks (par value)	89	135	18	20	25	36	4	24	351
Bonds (par value)	49	87	50	207	63	40	8	32	536
Other investments	169	164	53	129	68	44	9	114	750
Total	1,007	1,297	226	713	348	235	40	491	4,357
Percent of total	23.1	29.8	5.2	16.3	8.0	5.4	0.9	11.3	100.0



and hungry Europe ought to be buying immense quantities of American produce and paying for them with goods instead of gold.

It is now apparent that probably ever since 1920 the outside world has been running into debt to us at a greater rate than was suspected. The survey under consideration does not provide data adequate to test our net receipts on capital account between 1922 and 1930 inclusive. It does, however, provide considerable statistical evidence that during the period from 1931 to 1934 receipts were materially underestimated. The present survey depends for its totals in part on "a marked increase in the rate of dividend payments" as well as substantial additions to foreign holdings of American securities during the latter period. In the earlier periods the facilities for estimating receipts were better than those for determining payments; consequently the margin of error to which net receipts were subject was influenced primarily by the percentage of error in the estimated payments of interest.

When the World War upset the apple cart by changing the United States from a debtor to a creditor country, the effect was most disconcerting. In its field this revolution was as upsetting as if persons who have been selling goods to other people suddenly found that they must turn the tables—put up cash and take the goods.

Increasing Alien Ownership

Now, for the first time we have the facilities for knowing quite closely the value of American securities which remained in foreign hands at the conclusion of the War and the additional purchases or sales, by classes, made for foreign account in subsequent years.

In addition to the United States' long-term investments abroad of $12,486,000,000 at the end of 1936, there was $759,000,000 of American owned bank balances and other short-term credits abroad. Foreigners had such corresponding long-term credits in this country amounting to $6,108,000,000 while their short-term credits were $1,530,000,000. Thus at the end of 1936, the United States stood as natural creditor of the world to the extent of $5,607,000,000.

The old world, crushed by its domestic debt, and already under the strain of large amounts of capital diverted to the United States, still managed to make new commitments in American securities, amounting to $1,000,000,000 in long-term investment account alone. In addition, the impoverished world was debtor on current trade accounts to American manufacturers and exporters to the extent of several hundred million dollars less than the corresponding credits extended by foreign business houses to their American customers.

In former times American worry about foreign investments in the United States pivoted on the fear that the smart and patient foreigner might eventually come to own the United States, lock, stock and barrel. Now the cause of apprehension is that the foreigner may periodically cause a vast smash in investment values by ganging up to unload on the American investor. Indeed, there is reason to suspect that his unloading has been an important factor in the decline in our market since last August.

In 1936, it was found, the foreigner owned investments in the United States worth $6,108,000,000. The high water mark before 1936 was 1914 when the total was $7,000,000,000, of which $5,000,000,000 was in securities. Compare that figure with $3,700,000 in 1927 and $4,700,000 in 1929. Obviously, the "political debts" are not taken into consideration. The international war debts due to the United States, including the German obligations are something over the fantastic sum of $15,000,000,000 even though payments on account since the debts were funded amount to $2,750,000,000.

While it cannot be denied that the stake of our foreign friends in this country is some $7,000,000,000, it is only about three per cent of the national wealth. On the other hand, it is important to remember that this foreign ownership is mostly liquidable in American securities. In 1936 the score is represented in the accompanying graph.

But what about the score since the close of last year? The Treasury Department recently issued figures from foreign countries which show that as late as March, 1937, foreigners were buying American securities more than they were selling. But thereafter necessitous selling from London, and some from Amsterdam, as a result of the collapse in heavy speculation there, greatly accelerated the liquidation and left the foreigners largely sellers on balance.

The effect of foreign liquidation was apparent throughout the list of American securities. Foreigners no longer confine their interest to American railroads but according to a study based on 2,774 corporations at the end of 1934, are more strongly inclined toward our manufacturing enterprises. In total they held at that time common and preferred shares to the value of $573,000,000 in manufacturing companies with particular favoritism shown for machinery and equipment makers first, foods and beverage manufacturers second, chemicals third and automobiles fourth.

The total market value of (*Please turn to page* 64)

The Biggest Industries in America

If You Think You Can Name Them, Try It Before You Look at the Table Below

BY MONROE MARSHALL

WHAT is our biggest industry? The average person would give you the off-hand opinion that steel or motors or perhaps the railroad industry is the largest in point of actual business done. But any of these giants is dwarfed by the food industry. Even its components taken individually show up among the largest. The gross income from farm production in 1935 was in excess of $8,500,000,000. In the same year (the last available census study) the net sales of processed foods and kindred products totaled nearly $10,500,000,000. The meat packing industry alone accounted for nearly $2,500,000,000. Retail sales of food amounted to $8,362,000,000 — more than the total value of all iron and steel products and machinery manufactured in 1935.

In the accompanying table the relative size of our major industries is indicated by the dollar value of the service rendered, work performed or goods sold, as the case may be, and without consideration of such items as invested capital, property, natural resources, etc.

Since the business of feeding our population is far and away the largest, it is logical that the industry concerned with clothing it should rank next. Manufactured textiles in 1935 were valued at $5,879,000,000 and boots and shoes totaled $688,000,000. Retail sales in apparel stores, alone, amounting to $2,656,242,000 were more than $1,000,000,000 greater than the value of all construction work performed in that year.

Of the many items grouped under the classification of iron and steel products, the most important in point of value were steel-works and rolling mill products, accounting for $1,890,852,000. Tin cans, it might be noted, contributed $297,362,000. In the machinery group manufactures of electrical machinery accounted for the largest total, $1,084,266,000, and it is noteworthy that the combined value of business machines and typewriters of some $125,000,000 was exceeded by radio and phonograph apparatus with a sales value of more than $195,000,000.

Our Biggest Industries

(Based on Annual Dollar Revenue)

MANUFACTURING	
Food and kindred Products	$10,489,531,000
Textiles (exclusive of unfinished rayon)	5,879,082,000
Iron and Steel Products	4,260,413,000
Machinery	3,931,305,000
Automobiles	
Vehicles	2,492,736,000
Bodies and Parts	1,570,095,000
Petroleum Refining	1,906,310,000
Chemicals and Allied Products	2,863,246,000
Forest Products	1,694,131,000
Non-ferrous Metal Products	1,627,090,000
Paper	1,521,719,000
Tobacco Products	1,205,904,000
Stone, Clay and Glass Products	950,520,000
Boots and Shoes	688,452,000
Rubber Products	695,946,000
All Manufacturing	43,801,214,000
SERVICE AND DISTRIBUTION	
Railroad	3,452,000,000
Electric Light and Power	1,921,077,000
Communications	1,145,977,000
Service Establishments	2,029,302,000
Amusements	699,051,000
Food Stores	8,362,425,000
General Merchandise and Variety Stores	4,619,751,000
Automobile Sales and Accessory Stores	4,606,650,000
Apparel Stores	2,656,242,000
Filling Stations	1,963,714,000
Furniture and Household Stores	1,289,896,000
Hardware-Lumber Stores	1,864,275,000
Drug Stores	1,232,593,000
Eating and Drinking Establishments	2,390,860,000
All Retail Distribution	33,161,276,000
EXTRACTIVE INDUSTRIES	
Metal and Coal Mining	3,671,600,000
Crude Oil Production	994,000,000
CONSTRUCTION	1,622,862,000
AGRICULTURE	8,508,000,000

Figures compiled from data of U. S. Census of Manufactures, and Dept. of Commerce.

Reported sales of the automobile industry together with those of manufacturers of bodies and parts fully substantiate the economic importance of this group. It may be news to many, however, that the total sales value of tires and tubes was some $226,000,000 less than leather boots and shoes.

Paints and varnishes contribute the largest proportion of the sales of manufactured chemicals. Fertilizers accounting for about $154,000,000 are substantially outranked by patent medicines and also soap. Cosmetics accounted for about $117,000,000 and unfinished rayon, $185,700,000.

Smelting and refining of copper, lead and zinc are the most valuable of non-ferrous metal manufactures, accounting for about $500,000,000. Non-ferrous alloys were next, contributing more than $400,000,000, while sales value of aluminum products totaled $109,400,000.

The various groups listed under the Service and Distribu-

(*Please turn to page* 64)

Happening in Washington

BY E. K. T.

Special session call due chiefly to Roosevelt's desire to drive Congress, punish it for not enacting his program last spring, demonstrate he holds the whip hand. No emergency has developed on any subject listed for consideration. Congress is no more ready to act fast now than last session; the same delaying factors still exist.

Congress won't rush through special program at special session, postponing other matters to January, as President suggests. Most committees will resume their regular work where they stopped in August, and there will be no disposition to give preference to President's program except possibly farm bill.

Business effects of early session should not be adverse if it is used to give more time for careful consideration; would be if Roosevelt resumes his "take down a law" attitude of early New Deal days. But nothing indicates this session will be more of a rubber stamp than the last one. And every subject listed has been hanging over the head of business for months.

WASHINGTON SEES

No special reason for special session.

Congress no more a threat to business in November than January.

No administration agreement on anti[illegible] revamping.

Government drive against high prices formulating.

Tax revision to be pushed but not rushed.

Fight brewing to restore neutrality policy.

Crop control plan details nearly completed.

Regional resource control plan facing big obstacles.

Anti-trust revision announcement was mild surprise. Roosevelt has often discussed this but his advisers are badly split on methods and he has not indicated his choice. Few think he will have much specific to recommend and Congress embodies so many conflicting views on regulation of business that legislation, if any, certainly will not be precipitate.

Low-price policy advocacy in fireside chat is significant clue. It suggests a reversal of 1933 announcement that "raise prices we will." It may mean possible dissatisfaction with price fixing under Tydings-Miller act and certainly annoyance with identical bidding. Coupled with reference to "decent profit" (implying that high profits are indecent) it may be tip-off of attempt at government regulation of industrial prices to key in with farm price plans.

Tax revision will be started in November but not rushed and won't affect 1937 returns. Revision of undistributed profits tax will be resisted by Treasury, but Congress will give some heed to business protests and will vote modifications to protect working capital, relieve indebtedness, and build depression reserves, but probably not to permit plant expansion. If this promises serious revenue reduction administration will not oppose tightening individual income tax exemptions in lower brackets and broadening tax base. Latter might get through Congress since effects would not be felt until after 1938 elections.

Neutrality policy of last Congress is completely repudiated by Roosevelt but he will have hard fight to down Senate's neutrality bloc which will insist on political and economic isolation.

Labor armistice is being earnestly sought back-stage by administration envoys working with both A F of L and C I O. This is partly to save industry from inter-union fights, partly to prevent A F of L from going anti-New Deal.

Labor Board members are trying desperately in speeches and actions to break down public belief it is biased. Chief reason for this attempt to cloak its former militancy is fear Congress may clip its powers or appropriations.

Farm bill plans are now pretty well agreed on by Agr. Dept. and farm leaders in Congress, so law should be passed in plenty time for 1938 plantings. Wallace now accepts moderate, voluntary crop control, though still hinting rigid, compulsory control would be cheaper and safer. Plan now virtually agreed to retains broad outlines of much of Wallace's earlier proposals but uses methods easier to get by Congress and Supreme Court. Three points will be accepted by Congress without trouble: soil conservation payments, bonuses on export crops, commodity loans. Fourth point, marketing quotas, will meet opposition, but may be adopted for emergency use only.

Seven T V A's bill which President says must be passed quickly will meet opposition from many government departments whose jurisdictions and prerogatives would be lopped. Congressional friends of these activities will join foes of public ownership in hampering the bill's progress. Administration spokesmen have never been able to conceal bill's real object by claiming it is chiefly for flood control, soil conservation, etc., since President's determination to subsidize cheap power shows up at every turn.

Farm bounty plan is reversion to decade-old equalization fee idea but without segregating domestic and export sections of crop. Producers of export crops will be subsidized on their entire output (within soil conservation allotments) to make up for having to sell at low world prices. Exports would not be subsidized so foreign nations could not impose dumping duties. Domestic prices would be at world level, so consumers would not protest.

T V A troubles are mounting. Internal dissention is more bitter, recently fanned by Fed. Power Comm's too-glowing praise of T V A-sponsored municipal light rates. Local interests complain of flooding good farm lands, removing populations, wiping out taxables. Program of large dams, dictated by power considerations, raises unforeseen navigation problems making it difficult to charge off power development as navigation aids.

Jobless census plans are being carefully laid to make the most out of a difficult situation, with result that former scoffers now see some hope for obtaining worthwhile figures on extent of unemployment problem. Those in charge have their fingers crossed and promise to admit all shortcomings in results.

Motor truckers welcome I C C's disposition to contend that regulation of them is now a federal rather than state affair, except for specific exemptions, but are beginning to realize this ultimately may mean federal regulation of speed, size and weight of trucks and buses, drivers' qualifications, and similar details.

Pictures, Inc.

SEC Commissioner Ross will see that Bonneville Dam's power is distributed to small consumers.

Bonneville job given S E Commissioner Ross means fulfillment of Roosevelt's desire that power there be distributed to farmers and householders, preferably through municipally-owned systems, rather than for industrial use near the dam, but transmission costs and other local problems will make this ideal difficult on anything like a paying basis.

Processing tax is desired by Wallace, "at reasonable level," to finance subsidies on export crops. It might vary inversely with world prices to keep consumer prices and farmer incomes about level. But Congress may balk, and constitutional question still exists. Soil conservation payments will come directly from Treasury—no special taxes—may approximate half billion.

Justice Black still has uneasy seat on supreme bench. He may write strong civil rights opinion to lay the K K K ghost, but some litigant may yet find a way to challenge his eligibility because as Senator he helped create his vacancy.

Undelivered speeches by Sec. Roper purported to attack Wallace farm plan were designed to urge farmers and reliefers to depend on self-reliance instead of government hand-outs. Incident illustrates current Cabinet budget worries rather than impending administration crack-up.

Duke of Windsor's visit here will be used to give publicity, among other things, to the federal slum housing program which badly needs a stimulant. Meanwhile leaders of the building industry are attempting belated cooperative effort to provide *(Please turn to page 62)*

Outlook for Leading Industries

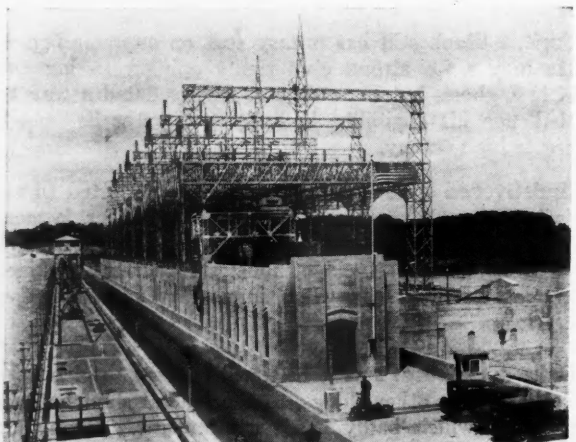
Which Are Suitable for Current Investment?

BY JOHN D. C. WELDON

THE slackening pace of general business activity and the probability that the year to year comparisons of business volume will become progressively less favorable during the next six months present new factors to take into account in current investment programs. On the latest indications, business on the whole went into the final quarter of the year with a level of activity only a few per cent higher than a year ago. Since the fourth quarter of 1936 and the first quarter of 1937 were good periods both from the standpoint of the general volume of activity and commodity price trends, there is a strong probability that the modest "spread" still held over a year ago will be lost in coming months.

The effects of this general trend are likely to be very uneven, however, in so far as industrial earnings in various lines of activity are concerned. For one thing, the expanding physical volume of business activity up to the third quarter of this year, resulted in lower unit costs in many lines of manufacturing and distributive activity—thus offsetting higher costs in the form of materials and wages. A flattening out of the upward trend would eliminate this advantage, however, and a decline in activity, even though temporary, would probably bring a somewhat larger percentage reduction in profits than in sales.

The extent and the manner which a temporary business recession would effect profit margins in the more important industries will be discussed with particular reference to the current position and prospects of these industries in considerable detail below. Before undertaking this particularized discussion, however, it is necessary to define the probable scope of variations in general business activity over the next six months and determine the underlying factors which appear likely to either restrict or depress general business activity. Since intermediate business movements are usually measured in terms of prevailing standards at the same period of the preceding year, it is worth noting that a year ago business activity followed the pattern of a fairly sharp gain in October, and some recession in line with normal seasonal tendencies over the turn of the year. A second conspicuous uptrend appeared in the first quarter of 1937.



Aside from the broad momentum of the recovery cycle with its gains in employment and expansion in public purchasing power, the advances in business a year ago were supported by an extraordinary assortment of stimulating factors. These included large pre-election government expenditures for a vast array of public projects, topped by the bonus payment. In addition, older currency inflation fears were being supplanted by new inflation fears having their inception in deficit financing, and in credit inflation. Prices were also affected by commodity and material shortages as activity expanded in industrial centers. Rising prices, plus rumblings of labor disorders, in turn, encouraged a substantial volume of forward buying.

In the fourth quarter of 1937, hardly any of these special influences are expected to prevail—indeed, several of last year's stimulants are now in the "morning-after" stage in so far as their business effects are concerned. Thus, instead of an inflation psychology, considerable apprehension exists relative to the deflationary implications of the sharp declines in security and commodity markets. The labor troubles which earlier caused a good deal of stocking up of materials and supplies have, by this time, left their heritage of higher costs. The relatively high rate of industrial operations during the first nine months of the year have substantially reduced the backlogs of forward orders in a number of important industries, while individual business concerns well stocked on materials as inflation pro-

tection policies dictated earlier in the year still have inventories to work with pending clarification of intermediate term sales prospects.

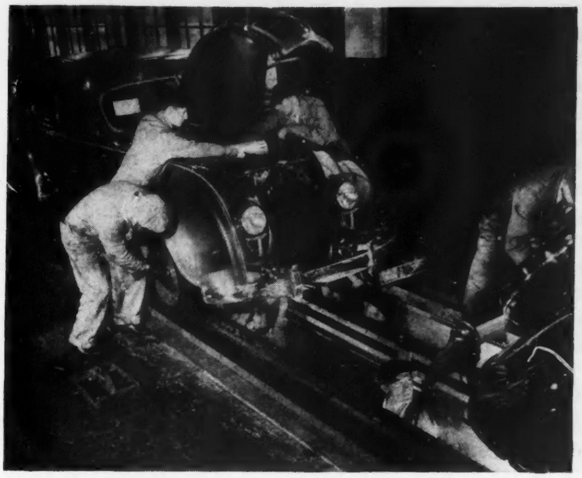
In a very direct sense, therefore, the recent hesitation and whatever downward adjustment that may be witnessed during the next few months might be said to represent the "pay-off" from the artificial stimulation on activity a year ago, which extended into the early part of the current year. In this sense, it seems fair to conclude that current adjustments will get business generally back upon a sounder basis.

Deficiencies in the normal capital replacements that accumulated during the depression are still large and the American standard of living is still far below levels of previous eras of prosperity. Thus, ample room for expansion in both capital goods and consumers' goods industries and further extension of the major recovery cycle is indicated. Any temporary slackening during coming months is likely to be cushioned by the sheer momentum of a major upward cycle. One should strongly resist the temptation of taking the current security price recessions at their face value as a business barometer in appraising the intermediate term prospects of leading industries and in the formulation of an intelligent investment program through what appears to be a less promising winter in prospect than we enjoyed a year ago.

A temporary interruption in the major upward cycle in business must be judged on a different basis than a culmination of the major recovery cycle when we come to appraisals of individual security groups. For one thing, underlying seasonal influences must be taken into account and there is a fairly impressive list of industries that should do better in the fourth quarter in spite of the underlying trend of general business activity—others that will be working under a double handicap of unfavorable seasonal trends plus a general readjustment in business activity.

From an operating standpoint the electric power division of the utility industry probably will be adversely affected by reduced industrial demands for power, noticeably in textile centers, although production of other large users like the automobile, machinery, paper, mining and metal industries should be sufficiently well maintained to hold industrial power consumption about on a level with a year ago. Residential power consumption would be expected to continue its secular trend upward and commercial demands should hold some gain over last year. In spite of higher costs, electric power company earnings are expected to hold at least to last year's levels in the fourth quarter and the first quarter of 1937—both good earnings periods. Since political and legislative influences definitely overshadow operating and profit factors, however, the outlook for material improvement in the position of the utility group over an intermediate term is not regarded as promising. At the end of the year, the so-called "death sentence" of the Utility Act becomes applicable to the holding company units, a circumstance which would not be expected to help the prospects of either the parent or operating company securities of the systems effected by this legislation.

The automobile industry appears to be in a position to show considerably better than average resistance of recessionary tendencies in the fourth quarter. With a



Courtesy of Chrysler Corp.

gain of 14 per cent in production during the first nine months and production now stepped up on the 1938 models, shortly to be introduced to the public, output in excess of 5,000,000 units is now well assured for the full year. The necessity for replacing field stocks assures production up to last year's level of around 1,155,000 cars before the end of the year and the pre-auto-show surveys of marketing prospects indicates a favorable quarter for both dealers and manufacturers. In this connection it is worth noting that during the past two years around 42 per cent of sales were made in small rural communities, presently prosperous on the large 1937 farm income. During past years of good farm income, car sales in agricultural communities ran as high as 54 per cent of the total. Unquestionably this large proportion of farm buying will be an important factor in sustaining auto sales during the fourth quarter. Barring only a further outcropping of labor disorders, smoother production schedules and lower re-tooling expenses are likely to reduce unit costs. With price increases absorbing a substantial portion of the higher wage and material costs earnings prospects of motor car makers are considered to be relatively favorable in the fourth quarter. Next year's prospects are admittedly less well defined, consequently only short term commitments in the better motor and accessory issues appear warranted.

In spite of a temporary period of general slackening in industrial activity, gross revenues of the railroads would be expected to hold a moderate gain in the winter months over corresponding periods of a year ago. The Shippers Advisory Boards have estimated a better than 6 per cent increase in railroad car loadings during the fourth quarter as compared with a year ago. While the traffic predictions of this body have been quite accurate in the past, the most recent estimate must be viewed in comparison with monthly gains varying from 14 to 23 per cent during the fourth quarter of 1936. Furthermore, increased operating costs are likely to offset the expected revenue increase. The extent to which the carriers will be compensated for the higher wages recently agreed upon by rate adjustments is still unknown. The seasonal peak in traffic increases is now being rounded, and while a seven-year peak already has been reached

on the fall movement this year, a good deal of the significance of this movement is lost in the fact that it started from a higher base than it was able to hold as the year progressed. The potentialities in the rail group, therefore, appear to be essentially of a speculative character, embracing such considerations as a rate increase and at least surface appearances of earnings improvement through more restricted maintenance and equipment expenditures. Fundamental problems involved in the competitive position of the railroads, their large capital costs, their vulnerability to political encroachments and their lean working capital resources, are not inviting for investment consideration.

The rail equipment issues cannot be wholly divorced from these same considerations, since in the final analysis, the equipment makers could hardly be expected to enjoy sustained prosperity unless their customers could

Courtesy of Bethlehem Steel Co.

be counted upon for better times. There is one important element in favor of the rail equipment manufacturers, however, namely, that large accumulation of equipment needs have been built up during the depression and must ultimately be filled if our national transportation system is to function with reasonable efficiency on the longer term growth in traffic volume that appears to be inescapable on further general industrial recovery. Equipment buying in recent months has been relatively quiet, although it is possible that with the wage question now settled and after disposition of rate petitions, another equipment buying wave might materialize before the end of the year, in preparation for 1938 requirements, but it is problematical. The intermediate term potentialities of the rail equipments thus rest heavily upon speculative considerations of a similar order to those of the rails. Of the two groups, the equipments would appear to represent somewhat less hazards than the rails over the longer term but groups with more definitely potentialities certainly outshine the rail equipments.

In the building industry, investment interest would appear to be warranted only on the basis of longer term potentialities and in view of the decline in public projects and the flattening of residential building private construction expected over the winter months, commitments might well be postponed at this time. Impairment of confidence in the intermediate term outlook is likely to result in further procrastination in getting heavy private construction projects under way. Multiple-family building, still at a relatively low ebb, faces new uncertainties including possible competition from the new Federal housing program. This leaves the small-home, speculative builder to carry the burden of winter building, and the recent maladjustment in the cost-rental ratio in numerous localities has already resulted in a temporary set-back in this division. Sheer replacement need will restore activity in this important sector of the building industry—probably as early as next spring—but in the meantime, the underlying situation is not one to particularly encourage investment interest in building shares. An exception might be noted for paint manufacturers because they are less dependent on new building.

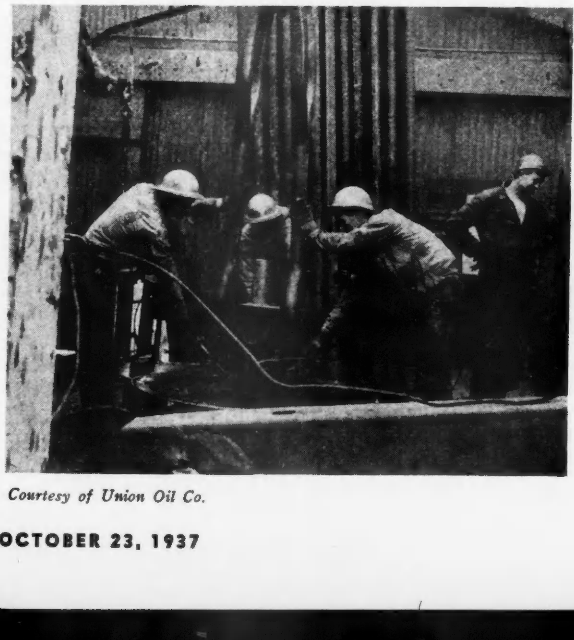
Steel operations, so far this year, have experienced the full force of the cross-currents present in most of the heavy manufacturing industries. Buying, stimulated by actual needs in both heavier and lighter steel products, spurted rapidly upward under the stimulation of higher prices and threatened strike interruptions earlier this year. The recent slump in operations naturally was accentuated by the necessary adjustment to a more normal supply and demand relationship. When this adjustment is completed, however, the industry will be on a sounder basis over the balance of the year than it was when a high rate of operations were rapidly reducing the unfinished order backlog. Moreover, it is believed that the current operating rate of 64 per cent is about as low as it will go. Enlarged demand for automobile steel, tin-plate, farm steel, miscellaneous finished products, export orders and perhaps belated rail buying toward the end of the year, afford fair prospects for betterment in the fourth quarter. Unit production costs probably will be higher in the fourth quarter, however, partly as the result of wage increases and partly because the average rate of operations will be substantially below that of the third quarter. The earnings position of steel securities usually is appraised over a longer period than one single quarter. The probability of a mediocre final quarter sandwiched in between an exceptionally favorable September quarter and a promising first half of 1938 would be expected to sustain favorable market performance of the steel shares over the winter months.

In the non-ferrous metal industries, outlook for consumption during the next six months is subject to some of the factors noted in the foregoing discussion of iron and steel prospects. The building industry is a large consumer of industrial metals such as copper, lead, nickel and alloys of these metals, when new building is proceeding at a normal rate of activity. Considerable hopes had been placed on building outlets as well as on possible expansion in demand by the electric power industry through new additions to plant capacity. Expectation of larger demand from these sources has now been put ahead to 1938, and the recent leveling of demand in the face of substantially increased production has resulted in a general downward revision of industrial metal prices. Present prices appear to be on a sound basis in light of intermediate term prospects, however, and afford a comfortable margin for the larger producers above existing

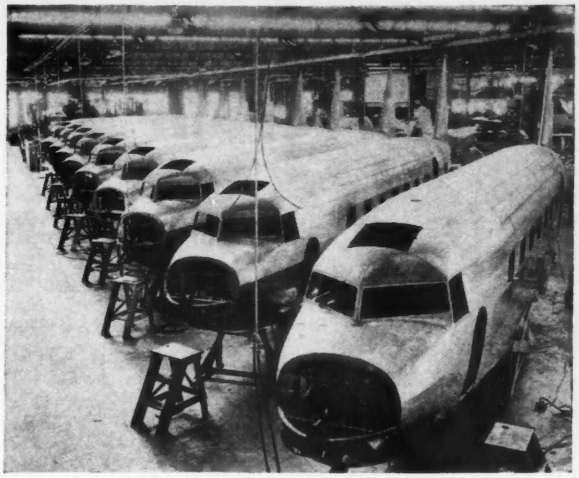
production costs. Although the metal industries seldom thrive on general business uncertainty, investment commitments in the non-ferrous metal shares nevertheless might be retained or moderately extended with considerable justification by the strong statistical position of copper, lead, zinc and other industrial metals.

In the petroleum industry, demand for refined products is expected to show considerably better than average resistance to any business recession during the next six months or so, although this advantage may be offset entirely by other special factors. Even though the production division of the industry belatedly is cutting its cloth more nearly to fit the supply required for motor fuels and heating oils during the fall and winter, the refining and distributing divisions are vulnerable to at least temporary unsettlement. Encouraged by the record-breaking demand for gasoline this summer, the refinery division of the industry has permitted larger inventories to accumulate than in recent years, after the heavy consuming season closed. The most important single factor in determining whether such supplies can be carried through the winter without distress stocks finding their way into distributive channels will be the weather. A mild winter and proportionately reduced demand for fuel and gas oils would permit curtailment of refining operations and at the same time result in well-sustained consumption of gasoline. A severe winter, on the other hand, would probably have just the opposite effect and might lead to unsettled price conditions in retail markets as was the case during the winter before last. Pending clarification of the uncertainties presently hovering over the petroleum industry, we feel that investment commitments might be postponed.

In the machinery and equipment industries, the most favorable sales conditions during the final quarter of this year and the early part of 1938 appear likely to be experienced by producers of farm machinery and the lighter household and electrical products that depend upon mass purchasing power in rural sections and in industrial centers. Even though recent declines in prices of agricultural staples necessitated downward revision in estimates of 1937 farm income from ten billion dollars to nine billion dollars, the lower figure is still more than a billion and a quarter dollars higher than farm income in



Courtesy of Union Oil Co.



Wide World

1936. Industrial payrolls should also make a favorable comparison with the past winter since wage increases would be expected to more than offset reductions in industrial employment in the event that productive activity recedes by greater than seasonal proportions in coming months. Estimates of $6,375,000,000 national income in August represented a gain of about 21 per cent from a year ago. Although this close to record level would be expected to be adversely affected by the subsequent recession in general business activity, purchasing power in lower income and farm sections of the population would be expected to sustain an active demand for agricultural equipment and lighter household equipment.

Industrial machinery, while recently sustained by a good volume of foreign demand, has somewhat less favorable prospects insofar as domestic orders are concerned. The slump in security markets is reported to have virtually brought new business for heavy machinery to a halt. The incentive to increase mechanical efficiency of plants to offset higher labor costs, however, probably can be counted upon to sustain demand for lighter industrial machinery. Office equipment business also is likely to be sustained by the same factor, plus the immediate and urgent need for tabulating and recording equipment needed by business generally to comply with various provisions of New Deal legislation. These influences should more than offset the normal tendency of business to postpone purchasing for routine office equipment needs during even a temporary business set back. All in all, the shares of representative equipment and machinery manufacturers appear justified in having a prominent place in current investment programs, with preference given to the farm machinery issues and the lighter machinery and equipment makers in secondary position.

The retail trade outlook for the fourth quarter of the year is one of the brightest spots in the business picture at present. There is no reason to expect that retail purchasing will be entirely immune from the restricting influences of prospective slackening in the pace of heavier manufacturing industries, of course, since such an event would tend to cancel part of the gain in mass purchasing power represented by general wage increases. The psychological effects of (*Please turn to page* 60)

Your Taxes in 1938

Important Changes in Corporate Taxes, Capital Gains and Personal Income Tax May Be Made

BY M. L. SEIDMAN, C.P.A.
(Tax Consultant)

WHAT is ahead in taxation? At a luncheon gathering the other day, the speaker managed to sidestep the role of a soothsayer by answering this very question. "A head in taxation," said the speaker, "is that part of the human anatomy which is used the least when tax laws are made." That may be good fun, but is, of course, a libel on our legislators, a great many of whom really have an excellent understanding of what is and what is not good tax law.

The real difficulty has been that our law-makers, in writing our tax laws, have too often been motivated by good politics rather than good economics. The attitude has been to "pluck the greatest quantity of feathers from the tax goose in such a way as to result in the least amount of squawking." It is that primarily which accounts for the extremely narrow base of our tax system and for the patchwork of compromises developed over these many years of piecemeal legislation. That there has, at last, come about a general realization that our tax laws need a complete overhauling is a good omen. At any rate, Washington is now giving the old tax machine a very careful going-over, preparatory to a major operation by the next Congress.

In approaching the problem of tax revision, it seems perfectly clear to most business men that taxes have multiplied and increased in severity chiefly because of the tremendous increase in government spending. It seems equally clear that the many inequities which have developed in our tax laws have as well been brought about by this very same expenditure-pressure. No reorganization of our tax laws therefore should begin without a thorough re-examination of our federal spending. Is Congress likely to see the problem in this light, particularly in an election year?

Government spending is politically pleasant as well as expedient. For it to be less popular, more people must be made to realize that it is their money and not somebody else's that is being spent; that it is not the few, but the many, that are paying the taxes. The only practical way to bring this home to the average man is to increase his direct tax bill and to reduce his hidden or indirect taxes. It has been estimated that taxes cost the average man about 20 per cent of his income. This means about ten weeks' earnings out of every year. The taxes, however, are not paid by him as taxes but are hidden in the price of everything he buys; food, clothing, rent and other items making up his cost of living.

It is not difficult to imagine what would happen to public spending and to the popular clamor for government subsidies and bonuses if the average citizen had to pay out this 20 per cent of his earnings directly and knowingly as taxes. The politician knows exactly what would happen and has therefore steered in the opposite direction. Accordingly, indirect taxes such as customs duties, manufacturers excise taxes, tobacco and

Some Capital-Gains-Tax History

England, the mother of income taxation, neither taxes security gains nor allows as a deduction security losses, except in the case of those who are in the securities business.

When our own income tax laws were born, about a quarter of a century ago, we made no distinction between capital gains and ordinary income. The rates were small and it did not matter much.

As surtax rates sky-rocketed during and after the war, it became increasingly clear that our entire capital economy would be seriously dislocated if some distinction were not made between capital and ordinary gains. Segregation followed and a maximum tax rate of 12½% was substituted for the high normal and surtaxes.

Then came the depression. Capital losses were so staggering that even at the rate of a 12½% tax saving, the entire tax due on other income was completely wiped out.

The law was accordingly changed so as to tax capital gains on a graduated scale basis (but often at a very severe rate), with capital losses, however, limited in deductibility to $2,000 except when they offset capital gains. That is the status today.

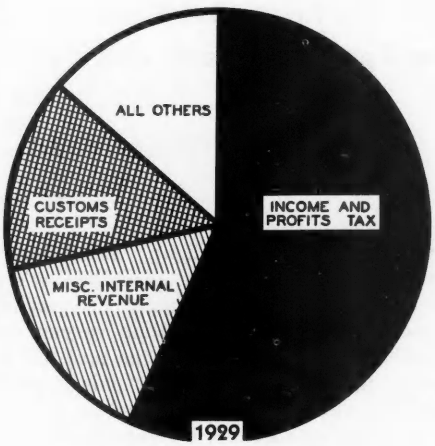
liquor taxes, as well as various business taxes that can be passed on to the consumer have been preferred to direct tax payments. As a result, only about 3 per cent of our adult population pays a federal income tax. Is it any wonder then that the average citizen is not particularly interested in the extent of federal spending?

The most direct tax; one that is admittedly the least susceptible of being passed on to the consumer, is the personal income tax. Unquestionably, greater tax consciousness on the part of the mass of people could be attained by a broadening of the income tax base. That is, by a reduction of personal exemptions and by an increase in the normal tax rate from the bottom up. This would require millions of people to pay directly the amount of tax that they pay today indirectly. Is Congress likely to follow this realistic line of attack in the reorganization of our federal tax laws?

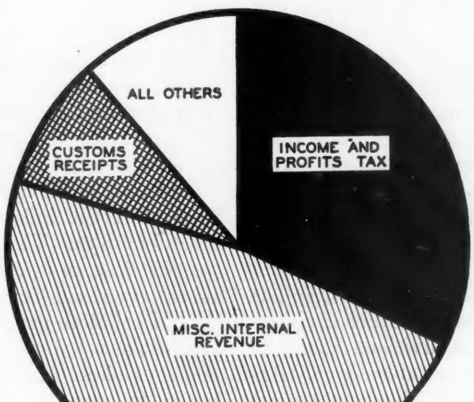
The only intimation that has come from Washington in this regard has been in the form of a statement by Representative Vincent of Kentucky, Chairman of a special House Tax Committee. He advised that income taxes due from employees receiving less than $5,000 a year may hereafter be "collected at the source." The idea presumably is to relieve such employees from the necessity of filing an income tax return. That certainly sounds more like sugar-coating the income tax to make it more palatable to the taxpayer than a step in the direction of tax consciousness. Another Washington statement is to the effect that consideration is being given to increasing tax rates in the "middle brackets." This presumably means on incomes above $5,000 and up to $50,000 or $100,000. But it is this very group that is already "plenty" tax conscious. So much then for the personal income tax.

There is general agreement that the undistributed profits tax on corporations will come in for major consideration. The tax was admittedly a radical experiment in the field of taxation. Actual experience with it has demonstrated, beyond doubt, that it has some serious shortcomings. There is now much agitation for its complete repeal. Any law, it is contended, which has for its basis the compulsory distribution of all corporate earnings, often in the face of accumulated deficits; that favors the distribution of earnings, regardless of amount and nature of a company's debts; and that discourages the accumulation of reasonable reserves for the future safety of a business, is a bad law and should be repealed.

U. S. REVENUE



Surplus $184,787,000



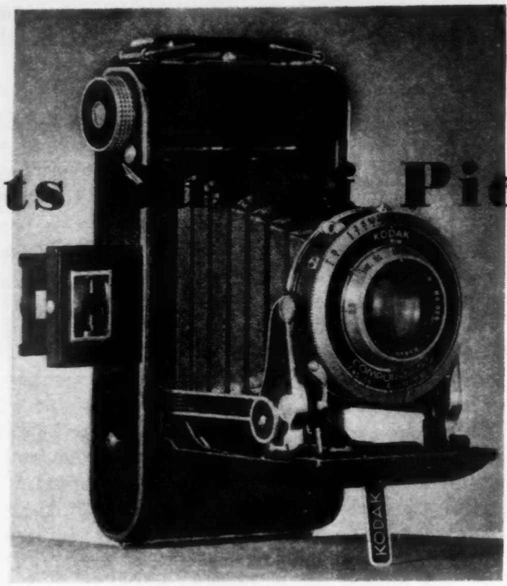
Deficit $4,810,894,000

The more practical minded, on the other hand, realize that the present administration is committed to the undistributed profits tax. They call, therefore, for a correction of the law's most glaring shortcomings. Their criticism is likely to be heeded. Thus, some relief is almost sure to be given to debt ridden companies as well as to those having accumulated deficits. Representative Robert L. Doughton, Chairman of the House Ways and Means Committee, specifically mentioned these recently as being in line for relief. Some encouragement is also sure to be given to companies for investing part of their current earnings in plant improvement and rainy-day reserves. These may take the form of an exemption from the undistributed profits tax, of a part of the current earnings. The contention is that since a corporation is subject to other severe taxes, it is only right that before being compelled to distribute its earnings, a reasonable amount or per cent of its earnings should be exempted from the undistributed profits tax. An exemption of $10,000, it is pointed out, would completely remove the vast number of small companies from this tax. An exemption of 20 per cent in excess of $10,000 would give to all other corporations, at least some opportunity for debt liquidation and for building up necessary reserves for the future health and solvency of the business.

Another inequity complained of is that the undistributed profits tax is imposed upon income, not as the business man knows it, but upon so-called "taxable income" which may vary considerably from actual income. At present, capital losses and other items of business costs are not allowable deductions in calculating taxable income. Obviously, such items, to the extent that they absorb income, make it impossible to distribute what is not there. At least for undistributed profits tax purposes, therefore, it is urged, the law should be changed so that only actual net profits after allowing for all legitimate costs and losses should be subject to distribution-pressure. Congress is likely to extend some relief in this direction.

Then there have been some guarded statements emanating from Washington, with respect to possible changes in the treatment of capital gains and losses. The manner of their treatment in our tax laws has been a sore spot for a long time. The difficulty is accentuated when gains, accumulated over a period of years, are taxed all in one year at very high surtax rates. In recent months, the be- (*Please turn to page* 61)

Profits [illegible] Pictures



Film's the Thing—But Eastman Kodak Also Spells Chemicals and Cameras

BY HENRY RICHMOND, JR.

Over the years "Kodak" has gradually become an internationally known synonym for camera —and for a trade name to be synonymous with the product which it identifies is just about the topmost pinnacle of commercial success. Rather strangely, however, the owner of this exceedingly valuable word is less interested in cameras than in what the camera uses. It is as if Ford built cars primarily for the gasoline and oil he could count upon them to consume, or as if Singer made sewing machines in order to provide an outlet for thread. The Eastman Kodak Co. makes cameras and, incidentally, money on them, but it makes them mainly as a sideline that photography may grow in popularity and usefulness and thereby widen the demand for film.

Now, in this modern day and age the manufacture of photographic film would not appear to be unduly complicated: surprisingly, however, it leads to by-paths that at first glance have no connection with the main road. Film, or rather one kind of film, starts as cotton. This is treated with nitric acid and, following dissolution in wood alcohol and acetone, there is emitted from rollers a transparent strip which looks like the cellophane with which everyone is familiar.

While the manufacture of the nitro-cellulose strip has been going on, Eastman Kodak has had other divisions of its business busy. One of these divisions has been preparing silver bromide from pure metallic silver. Another has been making gelatin, part of whose output incidentally will be diverted to edible uses. With gelatin as the vehicle, an emulsion of silver bromide is spread thinly over the nitro-cellulose film and, after packaging, the film is ready for use. Briefly, what happens when one takes a photograph is that the lens of the camera focuses an image on the film of silver bromide which is very sensitive to light. Depending upon the picture—the girl's white dress or the boy's dark suit—the light affects the silver bromide in varying degrees so that in the developing solution varying amounts of metallic silver are left on the film and the balance of silver bromide washed off. After "fixing" one has a negative of the scene. This is flattened on a piece of sensitized paper and by the same process a positive or finished picture is obtained.

In 1920 the Eastman Kodak Co. decided to become the source of the wood distillation products required by the business. Hence, there was formed a wholly owned subsidiary, the Tennessee Eastman Corp., with a plant at Kingsport, Tennessee, and a large acreage in the surrounding timber land. Tennessee Eastman gradually acquired side-lines to the chemicals with which it was supplying the parent company, although the really big step was not taken until it was ten years old.

Eastman had long been using cellulose acetate, in contrast with the inflammable nitro-cellulose, as a basis for safety film. The need for this type of film was expanding fast, so in 1930 it was decided that the southern subsidiary should embark upon the large scale production of cellulose acetate not only for film but for other applications. As a result, important additions were made to plant and equipment and Tennessee Eastman began to manufacture cellulose acetate yarn for the "rayon" industry. At the present time the Kingsport plant is operating at capacity and employing between four and five thousand people.

Although the yarn is the major product of this par-

ticular plant, the raw material from which it is made has developed other extremely interesting applications. It is to be produced in staple form for mixing with cotton and wool in moderately priced fabrics. As a sheet it finds its way between two panes of glass to produce non-shatterable transparency. Under the name "Tenite," Tennessee Eastman sells a cellulose acetate moulding compound or plastic, a typical use of which is as a covering and finishing for steel steering wheels on automobiles. Nor does the matter end here, for the various plants of the Eastman organization produce several thousand chemicals in all.

Now that it has been shown to what lengths of diversification a manufacturer of film may be driven, let us return to the photographic activities for which the Eastman Kodak Co. is better known. The film, which is produced at the Kodak Park plant in Rochester, New York, is of all kinds—ordinary film, fast film, X-ray film, motion picture negative and motion picture positive film, color film. If there are any other kind of films, you may be sure that Eastman makes them. In addition, the Kodak Park plant turns out plates, sensitive paper and other photographic supplies, not to forget "Kodapak," the transparent sheeting, lacquers and other chemicals.

The second plant in Rochester is the Camera Works, which produces an enormous variety of mechanical equipment. Among the newer pieces of apparatus which Eastman has introduced is the "Recordak." Under this system banks, stores and other businesses may photograph cheques and any other records with miniature motion picture film. A larger film will make permanent records of newspaper pages.

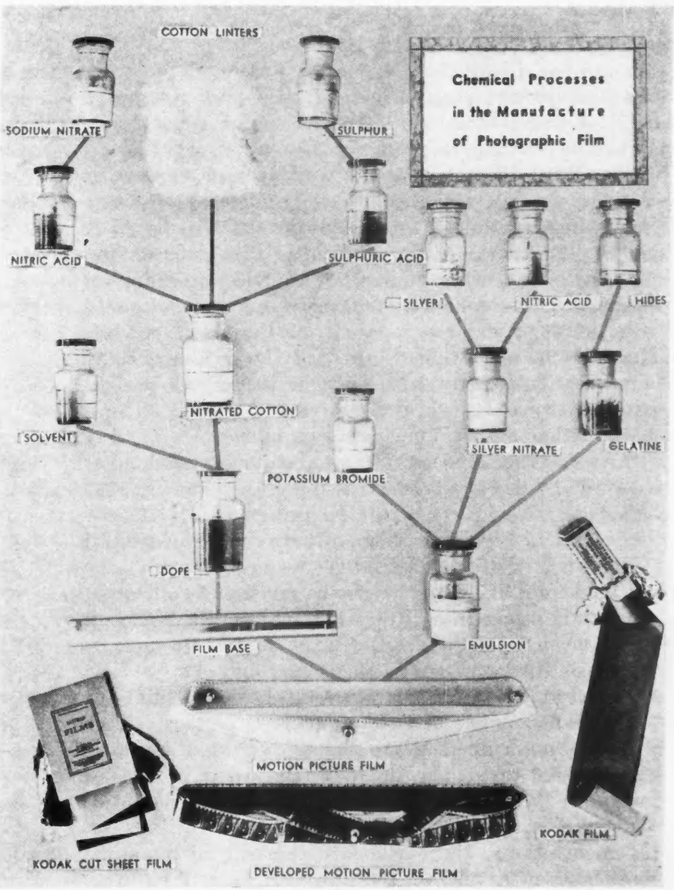
The third Rochester plant, the Hawk-Eye Works, makes lenses and also portrait attachments, color filters and similar equipment.

The Eastman Kodak Co. is almost as well known abroad as it is in this country, Kodak, Ltd., has a large plant at Wealdstone in England. This is the most important plant outside those in this country and produces a complete line of photographic equipment which is sold for the most part throughout the United Kingdom and her colonies, the Scandinavian countries and in the Far East. Then there are the French and German plants, the demand for whose output has been such that new construction took place at practically all of them last year. There are expanding subsidiaries in Canada and Australia. As if this were not enough the Eastman Kodak Co. itself maintains factories, wholesale and retail branches, in all the principal countries of the world. Dealers are to be found everywhere: hardly a city exists which has not at least one. Finally, at the end of last year there were fifty-one stations, located in thirty-seven different countries, where one could have one's Ciné-Kodak film processed.

Because of all the uncertainties that currently exist abroad, it might be well before passing over the foreign aspects of this remarkable business to inquire as to the size of Eastman's stake outside the United States. Aside from the investment in the Spanish subsidiary which has been written off entirely, fixed assets in foreign countries were being carried at a balance sheet value slightly in excess of $15,000,000 at the end of last year. Net current assets were some $21,000,000, making the total tangible stake abroad approximately $37,000,000. The company is one whose total resources are some $170,000,000.

While it is apparent that Eastman's interest in foreign fields is an important one, it is not to be assumed that the world's present political, commercial and other troubles hold any vital threat. Indeed, to come right out with the fears that are so generally entertained, war in all probability would bring to the Eastman Kodak Co. even greater prosperity than it currently enjoys. It might lose a foreign plant or two, might have greater difficulty in making remittances than is currently the case, but war means aerial photography on a huge scale, tremendous attendances at motion picture theatres and is a stimulant to both amateur and commercial photography. And all this does not take into consideration the probability—certainty, if this country were directly involved—that the chemical division would swing over to war products.

Few companies have a better record of earnings and dividends than Eastman Kodak. Formed late in 1901, the present company paid its common stockholders a dividend in 1902 and has never missed a year since. Although earnings fell sharply during the recent depres-



Making metal containers for movie film at Kodak Park.

sion and the dividends to which the owners of the business had become accustomed were reduced, the profit and loss account never showed red figures and stockholders never went empty handed.

Since 1932 there has been a steady improvement in earnings, the net income figure of $18,906,371 for last year coming within shooting distance of the previous record. The earnings for 1936, after dividends on the preferred stock, were equivalent to $8.23 a share on the outstanding common stock and compare favorably with the $6.90 a share reported for the previous year. The gains have continued into 1937, for in the twenty-four weeks to June 12, last, Eastman earned the equivalent of $5.01 a share of common stock, against $3.51 a share in the corresponding previous period.

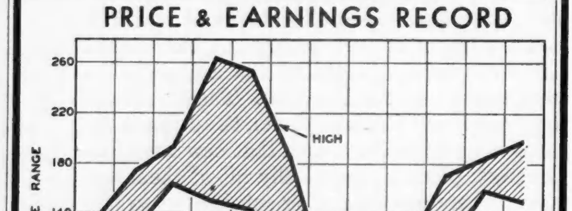
Out of last year's net income, common stockholders received dividends of $6.75 a share. So far in 1937 dividends totaling $7 a share have been paid. Despite the signs of a business recession that have developed, it would seem that a special disbursement towards the year-end were likely. If it were as much as $2 a share—which now appears a little on the optimistic side—it would mean total dividends for the year of $9 and, on this basis, high priced as the stock may be between $160 and $170 a share, the return on the capital invested is by no means out of line for an issue of this caliber.

It does not make a great deal of difference, however, what special dividends should be disbursed in the few remaining days of 1937, or even if the special should be omitted altogether. What those who own the stock at the moment and those who are thinking of buying it want to know is whether the prospects favor the further expansion of Eastman's earnings and dividends over the longer term future. In order to appraise such a prospect, let us consider the various divisions of the business separately.

This is not quite as easy as it sound, for, like most prosperous, long-established companies, Eastman Kodak has a deeply ingrained policy of only letting stockholders know what it believes good for them. In accordance with the times, of course, there is considerably more information available now than was the case a few years ago but, when it comes to breaking down the various divisions of the business, considerable guesswork must be employed.

Starting first with film and plates, the market for these divides itself into (1) amateurs, (2) professional motion pictures, (3) commercial photography, (4) X-ray. There seems to be no question but that amateur photography is gaining in popularity. Even if there had been no developments beyond the old "snapshot" era, this would still be true. Within comparatively recent years, however, fields previously outside his reach have been made available to the amateur photographer. He can now take more than passable motion pictures, showing them in his own home, and the apparatus for doing so is constantly becoming lower in price. The so-called miniature camera which takes pictures little larger than a good-sized postage stamp continues to be a rage and, although to be completely equipped with the best apparatus in the miniature field means that one must spend rather a staggering sum of money, the pleasures of postage stamp photography are being gradually widened by the introduction of lower priced equipment.

Nor is even colored photography denied the amateur. Using Kodachrome film he may take still pictures, motion pictures and miniature pictures all in color and take



them directly. Kodachrome film consists of separated layers which are sensitive respectively to different colors. Incidentally, it might be well to cover here the highlights of the colored film situation. There appear to be three major processes and Eastman Kodak has a finger in all three of them. The Technicolor process has so far proved the most satisfactory from a commercial standpoint and its supremacy is not threatened, at least for some years to come. The Keller-Dorian process is less complicated than Technicolor and the finished results are obtained faster, but it requires more light to take and more light to project and the final product is less satisfactory to the motion picture addict. Finally, there is the Kodachrome process which has been mentioned already.

As will be seen, the Eastman Kodak Co. is not missing many bets when it comes to the possibilities of color photography. A year or two ago a cross-licensing agreement was entered into with Technicolor, thereby clearing the air of patent disputes. Technicolor, long a big customer for Eastman's raw film, will continue to be a big buyer. So far as the Keller-Dorian process is concerned, Eastman has the exclusive right to manufacture the film and equipment. Kodachrome is the company's own.

Furnace for softening optical glass to be molded, ground and polished into lens discs for cameras. Inset:—Large lens for aerial photography.

The professional motion picture field may be sub-divided into negative film and positive film. Eastman derives large revenues from both, although it does so only in the face of keen competition from Du Pont. While it is possible that the demand for motion picture film has seen the day of greatest dynamic expansion, it has certainly not reached the stagnant stage as yet: the field will mean much to Eastman for a long time to come.

The third source of demand for films and plates come from the commercial photographer and, although this fluctuates quite widely with the ups and downs of the business cycle, the present underlying tendency is one of growth. Today, newspapers and magazines are using pictures more lavishly than ever; in advertisements, photographs are cutting into the business of the commercial artist. The fourth source of demand for films and plates, X-ray, is growing so obviously in the experience of everyone that no more need be said other than that it will be the cause of expanding profits for manufacturers of the necessary equipment.

So far as photography and what it requires is concerned, all this sums up into good news for the Eastman Kodak Co. But is there no competition in a field that has proved so very profitable for so very long? There is some, but it probably is less than one would imagine. Mention was made of the Du Pont company's manufacture of motion picture film: the same company competes also in X-ray and certain other films. Agfa Ansco is about Eastman's only full-time competitor, but this company is so small (total resources about $7,000,000) that Eastman need spend little time worrying about it. Except for the importation of foreign photographic supplies, which totaled a mere $5,000,000 last year, this about exhausts Eastman's competition in the field of photography. Nor do we think that the company itself would like to see very much less, for it has already been adjudged in restraint of trade once (1913) and with any less competition it might be so adjudged again.

And what are the prospects for Eastman's chemical division? Well, they are less clear-cut than in the field of photography, for the reason that revolutionary processes and entirely new products come so fast that no layman is capable of seeing this industry in correct perspective. Eastman, however, is growing faster in chemicals than in anything else and, although the company is meeting and will continue to meet competition in every chemical it makes, the great emphasis that the company places on research is most reassuring. There are more than five hundred persons engaged in research work at Kodak Park, additional persons at the research laboratory in England and this, taken in conjunction with the company's stated policy of sustaining development work through good years and bad, gives one faith in the company's ability to keep abreast of the times however difficult.

Nor can the investor expect any more of a company than ability to keep abreast of the times. Strange things, often without logical reason, are happening to security prices these days and it would be foolish to take the attitude that the stock of the Eastman Kodak Co. is inviolate at a time when anything can happen. Bought at today's prices, however, there is every reason to believe that it is a stock which will show a profit ultimately.

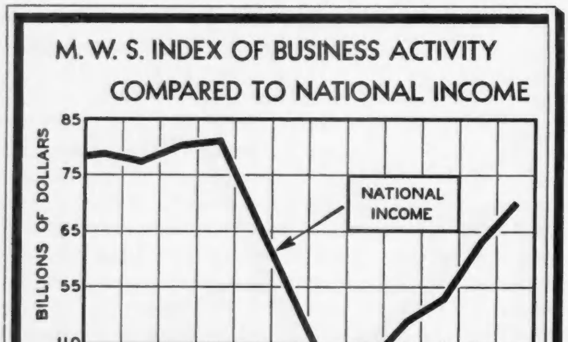
Do Business Indexes Tell the Truth?

Too Much Weight to Physical Production and Not Enough to Services Gives Inadequate Picture

BY WARD GATES

How is business? A manufacturer may answer, "good"; a railroad man may answer, "fair"; a merchant may answer, "rotten." The word "business" covers an enormous aggregation of diverse economic activities. Therefore, to obtain the most complete and accurate picture currently available, we rely on one or another of the various composite business indexes presented periodically in continuing form by the Federal Reserve Board or by this and other publications concerned with business trends.

Yet the layman may be pardoned for a certain puzzlement when he observes that one such composite index shows that the highest level of recovery in business to date was attained last December, another places this peak in March, 1937, another in August and another in September. He will be still more puzzled when he notes that two indexes agree in placing the top level of recovery thus far as occurring last December, but one represents that peak level by the index number 121 and the other by the index number 83. Nor will he be helped by checking this seeming disparity against the other well known indexes, for these vary not only as to the time when the best level of recovery was reached but in measuring the relative position of that level they vary all the way from an index number of 91 to an index number of 111.



Whatever the base upon which an index is constructed —whether 100 represents the average of 1923-1925, or the year 1926 or "estimated normal"—the lay user makes the natural assumption that 100 is what it would be desirable for business to be, that it implies neither depression nor boom but just good business, that it is "normal." So reasoning, one looks at an index recording 121 or 111 and instinctively feels that it must be so optimistic as to be out of line with realities, for one can plainly see evidence of continuing depression in employment, in construction, in the movement of railroad freight and in other economic activities. On the other hand, looking at an index which puts the best level of recovery at 83, the layman probably has an instinctive feeling that the figure is too low.

Now the same basic data is available to all who construct these indexes and, as a matter of fact, none can be said to be erroneous. They differ widely because of different methods of using the available data; and just what data should be used, how it should be weighted and by what and how much it should be "adjusted" boils down to a matter of statistical judgment and sometimes involves a compromise with convenience. The most accurate business index would not be of much use if its construction awaited data available only once a year or only when a census of manufactures is taken. We want the picture weekly or, at most, monthly.

Hence we must be satisfied with the most complete picture that can be drawn from factual data that is currently and continuously available. There can be no question that all of the well known business indexes give a sufficiently accurate record of the short-term fluctuations in business volume, even though they vary in base of comparison, in components used, in weight of the components and in adjustments for seasonal variation or long-term trend. One index may include check payments, another may not. One may include financial activity, such as stock and bond sales, money rates, stock price fluctuation, etc., while another excludes this. One may give twice as much weight to steel and iron

production as another. But our economic activity is so inter-related that these differences have relatively little effect on the current trend of the indexes. Thus, an index may omit retail trade, despite the enormous business activity that it represents, on the valid theory that variations in check payments, money in circulation and car loadings give adequate reflection to the more significant variations in trade.

The hardest job of the index maker who would reach the ultimate in accuracy is to keep his index adequately related to the longer-term changes in the character of the country's economy. Far-reaching changes result both from the growth of population and from technological progress. Making allowance for population growth, which deflates an index so adjusted, is simple. Making proper allowance for secular growth other than that due to population change is a statistical job of the first magnitude. The long-term trends of different industries vary greatly. Some are up, some down. Setting up a composite long-term business trend line involves a large element of statistical judgment and a considerable possible margin of error in relying too greatly on continuation of past business history.

It is open to possible question whether most business indexes do not give too much emphasis to manufacturing production and too little to economic services. If so, the result would be an under-estimate of our composite economic progress. It is clear that over the past generation the proportion of our total economic activity represented by farming has declined, both as to value of product and number of persons gainfully occupied. There is some evidence that, both as to value of output and number of persons employed, the proportion of our total economic activity represented by manufacturing is also tending to decline. In contrast there is a marked uptrend in economic activities which can be broadly classed as "services."

There is nothing surprising in this. The farther civilization advances, the less is the productive effort needed to provide the minimum necessities of life and the greater is the effort spent on the non-essentials, including the cultural and recreational, which constitute an ever-increasing part of a civilized standard of living.

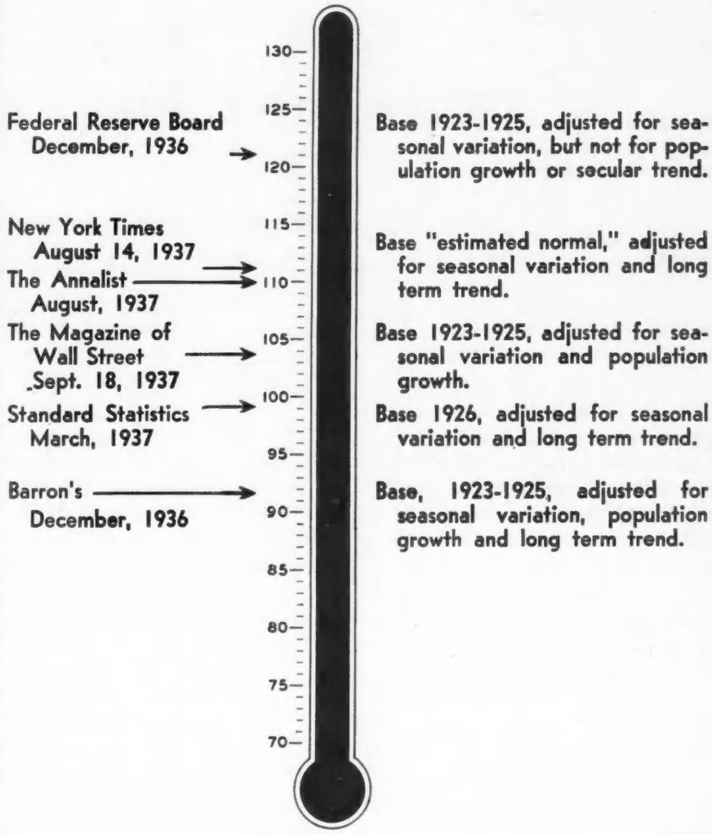
The census figures of 1910, 1920 and 1930 throw some interesting and significant light on the shifting longer trends of economic activity. Thus persons engaged in agriculture constituted 32.5 per cent of all individuals gainfully occupied in 1910, but only 25.6 per cent of the total in 1920 and by 1930 this figure had declined to only 21.4 per cent of the total. The proportion of the gainfully occupied in manufacturing and mechanical industries was in an upward trend from 1910 to 1920, but not at a fast rate. It was 27.9 per cent in 1910 and had risen to 30.8 per cent by 1920, but fell back to 28.9 per cent in 1930. There was a slight downward trend also in the proportion of the total engaged in mining and in forestry and fishing.

In contrast there were considerable increases in most other occupations. Proportion in clerical occupations was 4.5 per cent in 1910, 7.5 per cent in 1920 and 8.2 per cent in 1930. Proportion in domestic and personal service occupations decreased between 1910 and 1920 but between the latter year and 1930 increased from 8.1 per cent to 10.1 per cent. The proportion in professional services was 4.5 per cent in 1910, 5.2 per cent in 1920 and 6.7 per cent in 1930; that in transportation and communication was 7 per cent in 1910, 7.4 per cent in 1920 and 7.9 per cent in 1930. Percentage in public service was 1.1 in 1910 and 1.8 in both 1920 and 1930—but, as everyone knows, has been increasing more rapidly in recent years. The proportion occupied in trade was 9.5 per cent in 1910, 10.2 per cent in 1920 and 12.5 per cent in 1930.

It is therefore to be doubted that business indexes which rest preponderantly on industrial production give adequate reflection of the great and permanent addition to economic activity repre- (*Please turn to page 54*)

Where Does Business Stand?

Peak of Recovery to Date as Shown by Various Indexes



High Grade Bonds for Current Investment

Featuring Security and Stability

BY J. S. WILLIAMS

The recent trend of events has again afforded convincing evidence that high grade bonds are the most stable investment medium and a strongly bulwarked storm cellar in which the investor may take safe refuge during a period of declining security values resulting from business and economic uncertainties.

The bond market attained its peak last January. At that time THE MAGAZINE OF WALL STREET bond price index, comprising 40 issues, stood at 108.0, or nearly a full point above the 1936 high. The subsequent decline, measured by the same index, totaled 9.2 points up until the end of the first week in October. Although the decline in the bond market, as a whole, has been comparatively slight by contrast with the precipitous drop in stock prices, the greatest impact of the decline was borne by second grade, speculative and convertible bonds.

Coincident with the high point in the bond market last January, Moody's price index of AAA, or high grade bonds, was 118.16. Reflecting bank liquidation principally, this index reached a low for the year of 109.64 last April. Subsequent recovery raised the index to 114.93 and at the end of the first week in October it stood at 113.48, or a net decline of only 3.9 percent from the year's peak. Incidentally, U. S. Government bonds also showed a net decline of 3.9 per cent from their 1937 highs.

The market action of second grade bonds, on the other hand, tells an entirely different story. Moody's index of BAA bonds recorded a high of 92.43 early last January, while at their low for the year at the end of the first week in October, this group stood at 78.33, a net decline of more than 14 points, or 15.2 per cent. The decline in lesser grade speculative and convertible issues has been even more drastic.

The conclusion to be drawn from these contrasts and the moral which they point is self-evident.

The fact that high grade bonds offered stubborn resistance to declining bond prices generally is in itelf noteworthy, but particularly so in the face of the signs and portents prevalent earlier in the year. Normally, interest rates are the major factor governing the price trend of high grade bonds. Under the easy money policy sponsored and abetted by the Government, high grade bonds rose steadily in value and yields dropped to a point where, at the peak level of the bond market this year, the average yield on high grade bonds was but slightly more than 3 per cent.

It would be assumed therefore that such developments as higher rates for Government financing and expanding commercial borrowing, normally foreshadowing a hardening in interest rates, would have been reflected in lower quotations for high grade bonds. Rising business activity and better earnings, on the other hand, would be expected to improve the margin of safety for second grade issues, resulting in higher quotations and lower yields. In both instances, however, precisely the contrary occurred.

Any prospect of higher interest rates has been dispelled, temporarily at least, by the action of the Treasury in freeing $300,000,000 in sterilized gold, and the reduction of ½ of 1 per cent in the discount rate by Federal Reserve banks.

In the meantime the earlier optimism over the fall business prospect has given away to doubts and uncertainty, if not actual gloom. Shares have tumbled in price and the counterpart of their action is to be found in that of second grade bonds, with

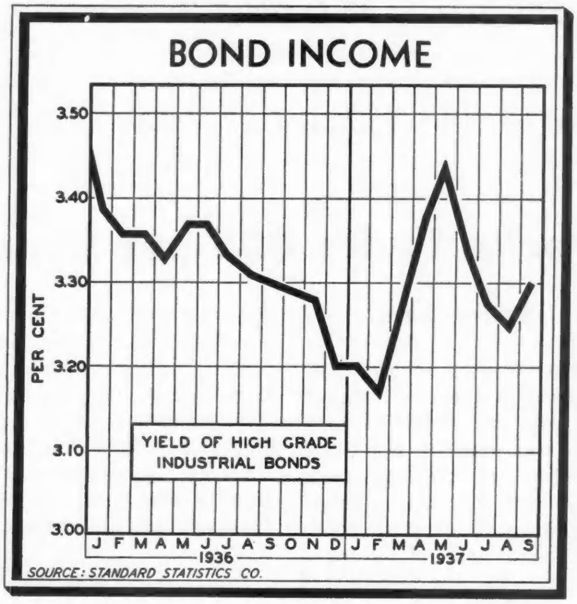
Representative List of High Grade Bonds

Issue	Recent Price	Current Yield
American Tel. & Tel. Deb. 3¼s, 1961	100	3.25
Consolidated Edison Deb. 3½s, 1956	101	3.46
Commercial Credit Deb. 3¼s, 1951	97	3.30
Pacific Gas & Elec. 1st Ref. 3½s, 1966	98	3.57
Pennsylvania R. R. Gen. 3¾s, 1970	96	4.90
Wilson & Co. 1st 4s, 1955	99½	3.95
Standard Oil N. J. Deb. 3s, 1961	98	3.06
N. Y. Central & H. R. R.R. Mtge. 3½s, 1997	94	3.68
N. Y. Edison 1st & Ref. 3¼s, 1966	100⅜	3.20
N. Y. Telephone Ref. 3¼s, 1967	101½	3.20

the result that holders of this type of bond now share the same uneasiness over the outlook as the stockholder.

It is not the intention here to discuss the relative investment merits and demerits of high grade and second grade bonds. In fact their relative ratings probably tell the whole story, but investors are frequently deluded into believing that a second grade bond may possibly through some combination of circumstances become a high grade bond and until it does, it represents a bargain in security and income. Such, however, is rarely the case, and the investor in second grade bonds must be prepared to accept the same risks, in return for the more generous yield, as the investor in stocks or other speculative ventures.

This publication has persistently advocated that *some* portion of the investor's funds be maintained in high grade bonds. Recognition has been given time and again to the inflationary aspects of our national economy and stress has been placed upon the diminishing purchasing power of bond principal and income as the price of commodities and the cost of living rises. Yet the fact remains that no other type of investment medium offers the same measure of stability as that of high grade bonds. Nor is the validity of this conclusion impaired by the possibility of some hardening in interest rates in later months. Against such a possibility, which at the most would result in only a comparatively moderate decline in bonds, must be weighed the substantially greater risks of depreciation in the value of second grade and speculative bonds should the progress of business recovery be seriously interrupted.



Regardless of the extent to which the recent decline in stocks and second grade bonds has again emphasized the cardinal investment factors of security and stability, it will probably be difficult for the investor with idle funds to overlook the temptingly high yields now available in many good common stocks and second grade bonds, in favor of high grade bonds yielding on the average of about 3.25 per cent. While it is not suggested that it would be either advisable or timely to sell good common stocks or second grade bonds, it does seem however, that as a protective measure until the trend of business and security prices becomes more clarified, a strong case can be made in favor of high grade bonds at this time.

All of the issues comprising the accompanying list are well qualified for inclusion in a group of high grade bonds. A strictly orthodox bond analyst might question the inclusion of debenture obligations in a list of this type, but in each instance of this nature the credit of the issuing company and the protection afforded by the margin of coverage for fixed charges is so strong as to adequately offset the absence of a specific mortgage lien.

Several of the listed issues have been selected arbitrarily for more detailed discussion.

Commercial Credit $3\frac{1}{4}\%$ debentures due 1951 are a $30,000,000 issue and together with $35,000,000 of $2\frac{3}{4}\%$ debentures due 1942 comprise the entire funded debt of the company. Commercial Credit is one of the two leading organizations engaged in financing installment purchases and the company's record of earnings in recent years has been outstanding. Although the nature of the company's business is such that earnings are rather sensitive to the rise and fall of consumer purchasing power and fluctuations in profits between good and bad times have been rather wide. With the single exception of 1933, however, dividends have been paid to common stockholders in every year since 1913. Last year earnings were the largest in the company's history and thus far in the current year profits have been running ahead of 1936. Seeking to diversify its business, the company in recent years has substantially enlarged its textile and industrial financing business. The financing of automobile purchases, both wholesale and retail, however still contributes the major share of income. During 1935 and 1936, recapitalization resulted in simplifying the capital structure and reducing preferred dividend requirements. The low coupon rate carried by the company's funded obligations testifies to its strong credit position and ability to provide itself with ample funds with which to finance its capital requirements. In the first six months of the current year receivables purchased by the company totaled $496,197,000, an increase of nearly $94,000,000 over the same months a year ago. Despite a substantial increase in all fixed charges, that item in the first half of this year was covered nearly $5\frac{1}{2}$ times and for the twelve months ended June 30, fixed charges were earned better than six times. The latest balance sheet reveals an excellent financial position. Among high grade bonds, the issue in question is one of the most attractive of those obtainable at a "discount."

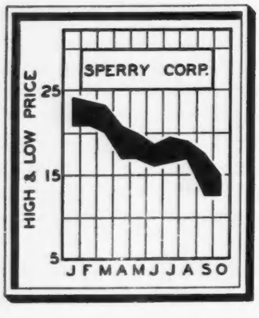
Pacific Gas & Electric first and refunding $3\frac{1}{2}$'s due 1966 are the most recent series to be issued under this mortgage. The total amount of the four series outstanding is $268,229,000, all of which are secured by a valuable mortgage and subject to prior liens of less than $8,000,000. The series under discussion outstanding in the amount of $35,000,000 was issued in conjunction with the large scale refunding program in which Pacific Gas & Electric has been engaged during the past two years. Taking advantage of low interest rates and its high credit standing the company (*Please turn to page 62*)

Opportunities in Three Price Ranges

Extensive Decline Sets Many Issues at Bargain Levels with Respect to Earnings

Selections by THE MAGAZINE OF WALL STREET STAFF

Stocks Under $25 per Share



Sperry Corp.

The decline which commenced in the stock market towards the middle of August was one of the most drastic and unrelenting we have had for years. It cut the price of many stocks in half and some fared even worse. In the middle of August the common stock of the Sperry Corp. was selling for some $18 a share: today, it is between $12 and $13 a share, a level which represents a decline very much less than that experienced by the market as a whole.

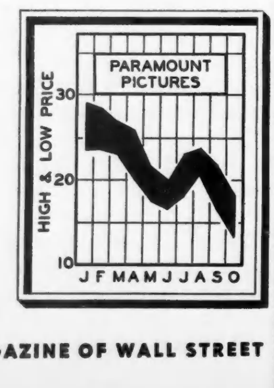
There is, of course, a reason for the better than average showing. In the first place, the company is currently operating at record levels. In the second place, it is believed that there is a record volume of unfilled orders on the books. And in the third place, it is thought that the company's prospects are much better than most; particularly is it thought that war, or rather the world's rearmament, will help rather than hurt Sperry.

The company's business is international in scope and of a peculiarly specialized nature. It manufactures various instruments and controls for air and marine navigation, searchlights, gun control equipment and the like. A recently acquired subsidiary, Vickers, Inc., produces valves, hydraulic pumps and controls and transmissions for various types of machinery.

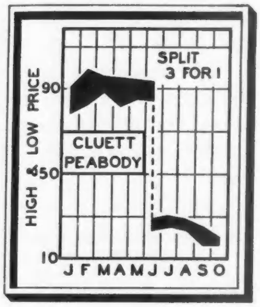
For the first six months of the current year Sperry Corp. reported a net income of $1,370,467, including a profit of some $180,000 derived from the sale of securities. The net income was equivalent to 68 cents a share on 2,015,565 shares of capital stock. While a larger profit was reported for the corresponding previous period, it was solely because the profit from the sale of securities was larger in the first six months of 1936 than in the first six months of the present year. Although net income for the full year 1937 is not expected to be much different from the $1.32 a share reported for 1936, profits from operations in the present year will be much higher than last. Under more favorable general market conditions a sharp advance in the common stock of the Sperry Corp. would seem to be a logical development.

Paramount Pictures, Inc.

Paramount Pictures, Inc., is a thoroughly integrated unit in the motion picture business, controlling one of the largest theatre chains in the country, consisting of about 1,400 theatres and having complete facilities for the production and distribution of films. Production activities embrace a full season's output of feature films for release in its own chains as well as for rental to independent exhibitors; also shorts, newsreels and specialties. Exchanges are maintained in principal cities through the country and foreign distribution is obtained through its own exchanges and distributors in foreign countries. In the reorganization of the predecessor company capital costs were substantially reduced and adequate working capital provided. Thus the present company was in a favorable position to benefit from the general improvement in the motion picture business during the past few years, both through its film production activities and through operation of its large theatre chain. Earnings equal to 80 cents a



share and $1.21 a share were reported for the calendar years 1935 and 1936 respectively. During the first half of 1937, improvement brought earnings up to approximately $1.12 a share for the six months period. The company's production schedule for the 1937-1938 season suggests that it will have a good average quality of picture entertainment to offer during the balance of the year and it does not appear over-optimistic to estimate earnings of between $2 and $2.50 a share on the common for the full year. Dividend accumulations on both preferred issues have been eliminated, putting the common stockholders in line to participate in improved earnings through some distribution—possibly before the end of the year.



Cluett, Peabody & Co.

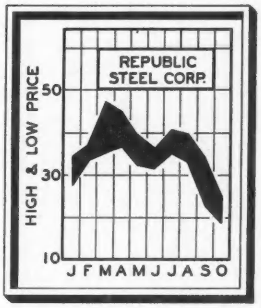
Cluett, Peabody & Co. is primarily a manufacturer of shirts and its well-advertised trade-name "Arrow" is known throughout the country. In addition, it makes collars and neckwear. It is Cluett, Peabody's policy to make a quality product and arrange to have it retailed at a fair price. "Cut-rate" stores are anathema to the company.

While there are possibilities in the shirt business, particularly at a time like the present when public purchasing power is relatively high, Cluett's greatest claim to investor interest lies in the revolutionary process which the company has developed for pre-shrinking fabrics. This is known as "Sanforizing." It is applicable to all kinds of cotton and linen goods and, although the yardage which is being treated is going up by leaps and bounds, there still remains tremendous room for expansion. Cluett, Peabody receives a royalty on every yard of "Sanforized" material.

For the first half of 1937, Cluett, Peabody reported a net profit of $602,112 after taxes, depreciation and other charges. This, after dividends on the outstanding preferred stock, was equivalent to 85 cents a share on the 564,870 shares of new common stock outstanding with the public. For the first six months of last year profits were equivalent to only 50 cents a share of common stock on the same basis. Last June, Cluett distributed to its stockholders two shares of common for every share held. Since that time two quarterly dividends of 25 cents a share have been paid. The indicated earnings, however, are such that a year-end extra appears likely. At the end of last year the company paid a special dividend of $3 a share, or the equivalent of $1 a share on the present stock. Selling currently for some $15 a share, the common stock of Cluett, Peabody appears very reasonably priced in relation to its earnings and prospects.

Republic Steel Corporation

Republic Steel has virtually completed a major program of plant expansion and modernization, originally projected during the latter part of 1935 in connection with the re-capitalization of the company. This plan provided for an authorized issue of $137,000,000 convertible bonds, of which $94,000,000 have been issued in several series during the past two years to finance the plant renovation program. The operating efficiency of this third largest unit in the steel industry has been considerably improved and integrated by the new plant expenditures, the major part of which went into new finishing facilities. The plant program of Republic was timely in the sense that it was followed by large expansion in steel demand this year, although the intervening labor troubles in the second quarter prevented full realization of the anticipated earnings. Earnings in the first quarter were equal to approximately $1.04 a share, whereas the decline of about $5,000,000 in second quarter profits was roughly the figure which the strike during this period is said to have cost the company, including loss of business because of the interruption to production by labor troubles. In any event, the first quarter showing represents a pretty good exhibit of the earning power of the present property and capital set-up under fairly good, but not boom, conditions in the steel industry. The 1936 earnings of around $1.76 a share are hardly a fair appraisal of even average earning power since operations in the first half of last year resulted in a deficit for the common. Recession in steel operations, so far in the fourth quarter, place the full year's earnings estimates on rather uncertain ground. In view of the importance of the auto industry as an outlet for Republic, however, this company should be in better than average position in regard to new orders and operations over the balance of the year. The shares have made no allowance for this prospect.

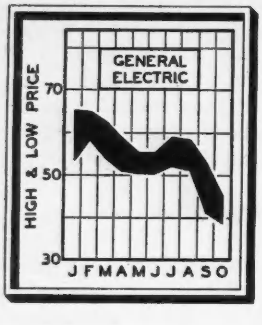


Stocks Under $50 per Share

General Electric

For the third quarter of the present year the General Electric Co. received orders greater than in any similar period since 1929. The amount of business booked was 17 per cent greater than in the third quarter last year and the gain for the nine months was 44 per cent over the first nine months of 1936. An earnings report for the three months ended last September is not available as yet, but General Electric's earnings for the first half of 1937 were equivalent to 91 cents a share on the outstanding common stock, compared with only 51 cents a share in the first six months of last year. For the full year 1937 the company's profits should be equivalent to at least $2 a share on the outstanding stock.

The recent break in the security markets carried Gen-



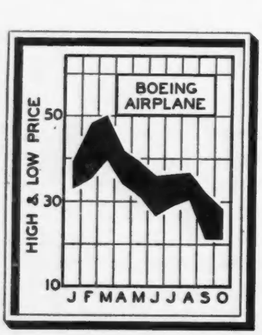
eral Electric's stock below $40 a share, or some twenty-five points below the recovery high. Even allowing for some recession in the company's heavy lines, the stock at its current price which is only slightly above the low for the year is discounting a greater decline in business than seems at all likely to develop. This particular stock is selling, of course, at a much higher ratio to its current earnings than many other stocks—even stocks of fine, well-established companies. There is, however, only one General Electric Co. and it is no more than reasonable that investors should pay a premium for it. General Electric blankets the field of electrical equipment: it makes everything from the tiniest lamps to the largest generators. Add to this, the emphasis placed upon research which assures the company maintaining its position in the field and one has an investment quite out of the ordinary.

It is possible, as has been said, that General Electric's heavy business faces some falling off: the deplorable state of the security markets which makes it difficult for industry to finance expansion and improvement is among the indications that this might occur. The light lines, however, should hold up well during any temporary slump and the company is one which is certain to participate fully in the resumption of the recovery.

Boeing Airplane Co.

Boeing Airplane Co. is one of the leading manufacturers of aircraft, producing a complete line of military and commercial planes as well as a limited number of aircraft parts and instruments. Credited with some of the foremost developments in new planes the company now appears to be in a favored position to "cash in" on its progressiveness. Among these developments are included the so-called "Flying Fortresses" and the new "Clipper" planes for use in the projected trans-Atlantic service. In addition the company is working on a super bombing plane now awaiting test by the Army, and several large passenger planes.

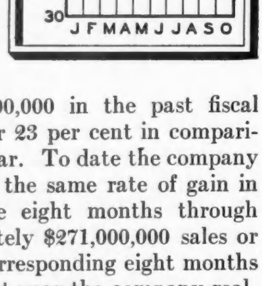
In common with most manufacturing aircraft units, earnings have not been particularly impressive. The year 1933 produced a fair profit, equal to 86 cents a share on the 522,170 shares of stock. Losses were sustained in 1934 and 1935 but last year operations again produced a profit. Net of $168,364 was equivalent to 32 cents per share on the outstanding stock, after payment of a surplus profits tax of $31,277. Entering the current year with unfilled orders of nearly $9,000,000, operations have reflected the heavy deliveries against these orders. Sales in the first six months totaled $3,405,635, of which more than $2,000,000 was contributed in the second quarter. A net profit for the six months to June 30th of $253,897 was equal to 44 cents a share on 573,300 shares, compared with 18 cents per share earned on a somewhat smaller number of shares in the corresponding period of 1936.



During the current year, Boeing has received several large orders for military aircraft, the most recent aggregating $2,518,346. As a result, it is probable that orders on the company's books at this time are in excess of $10,000,000. The sale of additional stock last July, increasing the amount outstanding by approximately one-third, has strengthened working capital position, but it is doubtful whether the management will elect to pay any dividend this year. Moreover, in view of the substantial development costs this year, as well as the higher labor costs, earnings may be restricted to around $1 per share.

The shares, recently quoted around 19-20, are principally attractive as a speculative stake in the future progress of the aviation industry. As such, however, they afford an equity in a progressive organization, as well as one which shows ample promise of maintaining and strengthening its position as a leading aircraft organization coincident with the growth of the industry.

Montgomery Ward & Co., Inc.

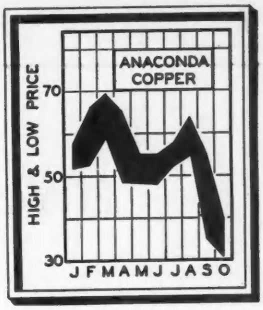


Benefiting from the enlarged purchasing power both in agricultural sections and in urban centers where department stores are located, Montgomery Ward & Co. handled the largest volume of sales in its fifty-year history during the fiscal year ended January 31, 1937. Volume of approximately $377,000,000 in the past fiscal year represented a gain of over 23 per cent in comparison with the preceding fiscal year. To date the company has maintained approximately the same rate of gain in sales volume during 1937, the eight months through September showing approximately $271,000,000 sales or 23.1 per cent larger than the corresponding eight months of the previous fiscal year. Last year the company realized an operating profit of 6.9 per cent on sales, the best ratio since 1928. Although this ratio was slightly less favorable in the first half of the current fiscal year at 6.3 per cent of sales, the increased volume permitted a further moderate gain in earnings to $1.60 a share as compared with $1.40 a share in the first half of the previous fiscal year. In recent years, the second half has contributed from 65 to 70 per cent of the full year's earnings. Although it is possible that operations in the second half of the current fiscal year will result in slightly lower profit margins than a year ago and sales gains may be somewhat less marked (September sales were 12.3 per cent ahead of 1936), the company will nevertheless benefit from seasonal improvement in sales in the second half of the current fiscal period. The expectation of a good volume of mail order sales between now and the end of the year is predicated upon the larger rural income, which is now reaching the farmer's pocket in increasing quantity. The agricultural population is

known to spend liberally during prosperous periods, and while Montgomery Ward's outlets are no longer concentrated on the farm population, the company still holds an important stake in farm purchasing through its small stores and its mail order business. Increased capital needs might preclude as liberal dividend payments as last year, but the shares at recent levels around 33 are regarded as having attractive appreciation possibilities.

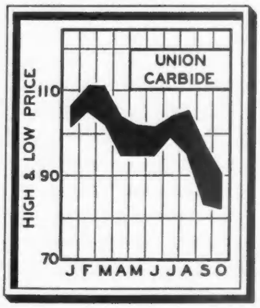
Anaconda Copper Mining Co.

Although Anaconda Copper and its subsidiaries have the largest copper producing capacity of any unit in the industry, its operations are so well integrated that the value of copper production has been only about one-third of total sales during the past ten years. The directly owned or controlled mines of the company have an annual productive capacity of about 570,000 tons of copper, of which approximately two-thirds is represented by foreign mines. Its subsidiary, American Brass Co., is the largest copper fabricator in the world, and the company does an extensive custom business at its smelting and refining plants. With these diversified interests, the company has a broad stake in general industrial activity in this country, where mine production is entirely taken by owned or affiliated fabricating plants. Demand for its foreign production has been aided by the armament programs of leading foreign powers as well as by higher industrial activity abroad, both of which have stimulated consumption of copper and other industrial metals in foreign markets.



Variation of earnings from year to year corresponds closely with copper prices and with prices lower than production costs during the depression, deficits ranging between 37 cents a share and $1.49 a share were reported from 1931 to 1933 inclusive. In order to maintain operations as high as possible when demand was restricted, large stocks of metal were accumulated during the depression and financed principally by bank loans. The upturn in prices and demand in subsequent years permitted liquidation of excessive metal inventories and commensurate strengthening of the company's liquid resources. Steady increase in earnings to $1.83 a share in 1936 and to $2.21 a share in the first half of this year has followed the upward trend of copper prices and larger metal consumption. From the standpoint of production costs, financial position, mining, smelting capacity and fabricating, Anaconda is in a good position to benefit from general industrial recovery, here and abroad. Recent recession in copper prices necessitates some downward revision of earlier estimates of 1937 earnings of between $5 and $6 a share, although the company's basic position and prospects are sound and present market quotations for the common stock represent an exceedingly modest appraisal of both current earnings and future potentialities.

Stocks Over $50 per Share



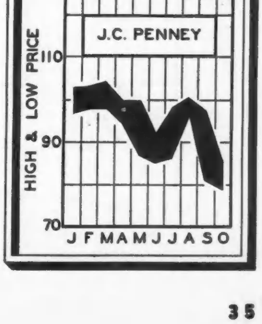
Union Carbide & Carbon Corp.

A bare recital of the things manufactured by the Union Carbide & Carbon Corp. might give one the impression that the company is a hodgepodge of unrelated activities. In actuality, however, there is a close connection between the output of oxygen, acetylene and other gases, the carbon products, the alloys and the chemicals which Union Carbide so profitably turns out. The company is as modern as tomorrow and diligent research keeps it so.

For last year the Union Carbide & Carbon Corp. reported the highest earnings of its history: they were equivalent to $4.09 a share on 9,000,743 shares of common stock. This year promises to establish another new earnings record. For the first half of 1937 a profit equal to $2.27 a share of common was reported and for the full year the company might well show earnings close to $5 a share. Currently, dividends are being paid stockholders at the rate of 80 cents a share quarterly, but if the estimated earnings for the year are substantiated by developments a substantial extra might be distributed. Certainly the company is sufficiently strong financially to have no need for bolstering its working capital.

Union Carbide's great diversification of output naturally ties it closely to general business activity. Hence, if we *do* face a business recession, one could hardly expect the company to be unaffected. On the other hand, many of Carbide's products and processes are still growing dynamically and this will be an important influence making for resistance to decline. Taking into consideration that the company's stock around $73 a share is $38 under the high, it would appear that more than is likely to befall has been already discounted.

J. C. Penney Co., Inc.



Operating a chain of some 1,500 department stores with a heavy concentration in rural districts, the J. C. Penney Co. is in a favorable position to benefit from the improved income of the farmer and those that are dependent on him. Sales for the first nine months of the present

(Please turn to page 62)

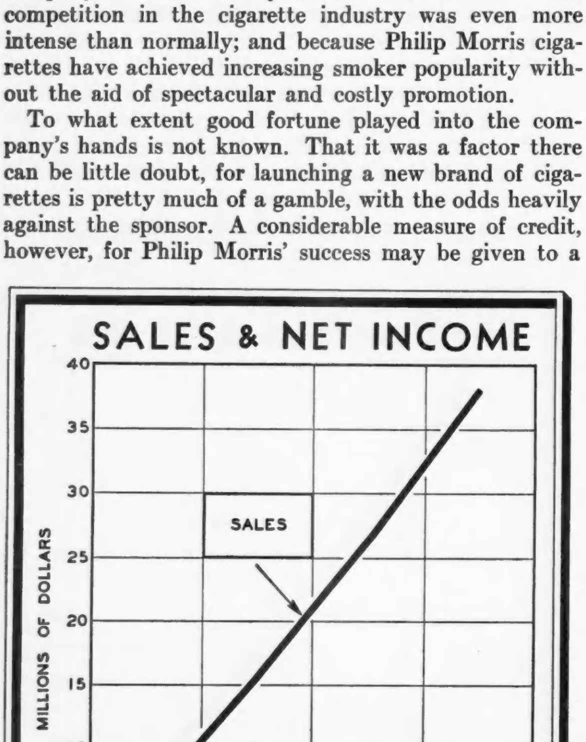
Success Against Big Odds

Shares Offer High Earning Power and Yield

BY C. HAMILTON OWEN

PHILIP MORRIS is an industrial prodigy. In less than five years the company has established itself firmly as an important and profitable factor in the cigarette industry. Over the past several years, sales and earnings have gained at a rate bordering on the phenomenal—phenomenal because they have been scored in a field dominated by a tight industrial oligarchy; because the company started virtually from scratch in 1933 when competition in the cigarette industry was even more intense than normally; and because Philip Morris cigarettes have achieved increasing smoker popularity without the aid of spectacular and costly promotion.

To what extent good fortune played into the company's hands is not known. That it was a factor there can be little doubt, for launching a new brand of cigarettes is pretty much of a gamble, with the odds heavily against the sponsor. A considerable measure of credit, however, for Philip Morris' success may be given to a more tangible element — management. Philip Morris, of course, has no monopoly in its field on capable managerial talent. The fact remains, nevertheless, that the company's management, with a wealth of tobacco experience and a new sales and promotion technique has apparently proved a winning combination.



Just how winning may be seen in the fact that in the first year the company entered the 15-cent cigarette field, profits were the largest in its history. Sales in the year ended March 31, 1934, were some $5,525,000. The next year they rose to $15,633,000, the next to nearly $27,000,000 and for the year ended March 31, last, totaled $38,466,513. Thus far this year sales have been running 50 per cent ahead of last year.

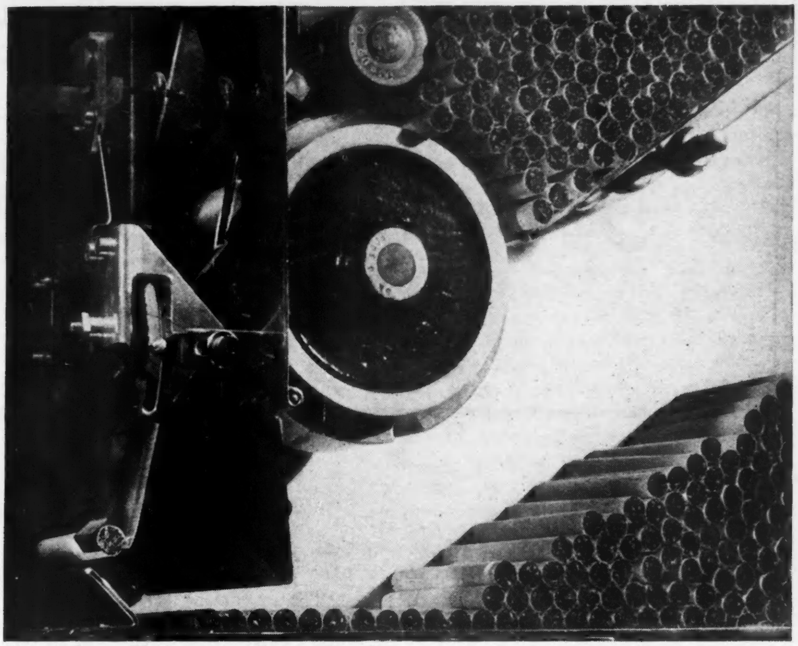
It is to be doubted that anyone knows precisely what makes one brand of cigarettes "click" with the public, while scores of other brands never attain a really sizable volume, if indeed they live beyond the dealer try-out period. Ask the average cigarette smoker why he prefers his particular brand to any other and the chances are ten-to-one that he'll answer, "I like the taste." Tests have proven convincingly, however, that the blindfolded smoker more often than not is unable to identify his favorite brand. Actually among the popular brands of cigarettes, the difference in taste is slight, and when a smoker attempts to justify his particular preference, he is merely rationalizing what has probably been a long-time habit. Any number of inducements may have been responsible for the original choice of a particular cigarette brand—effective advertising, appealing packaging or skillful selling. Even with all of these, however, the odds are still heavily against the possibility that a new brand will ultimately be successful. Every tobacco executive will verify this.

Yet the overnight success of Philip Morris cigarettes was not the result of a chance shot in the dark. Philip Morris & Co. during its career has endeavored to capture smokers' fancy with more than fifty different brands of cigarettes. Only one of these, prior to the Philip Morris brand, made any money for the company. This was the Marlboro, a 20-cent brand. Paul Jones, another of the company's brands, was a popular 10-cent brand during the lean years of the depression when a nickel

difference in the price of a packet of cigarettes was not to be sneered at by many. Sales of Paul Jones were large, but profits were not.

Such was the status of Philip Morris & Co., in 1932. The company was making money, surely an envious state in those days, and the management could not have been blamed for a policy of letting well enough alone. The management, however, had other ideas, notably that there was room for another 15-cent brand. To almost anyone else doubtless such an idea at that time would have been discarded immediately as being too foolhardy.

It will be recalled that at that time the cigarette industry was in a pretty chaotic state. Sales of 10-cent brands were rising by leaps and bounds; many smokers had of necessity gone back to rolling their own; and retail price cutting of the four leading brands of cigarettes (Lucky Strike, Camel, Chesterfields and Old Gold) was rampant. Alarmed at the rising tide of 10-cent competition the Big Four cigarette manufacturers lowered prices from $6.85 a thousand to $6.40 in 1932. Again early in 1933 prices were reduced to $6 and shortly after to $5.50. Chain stores, department stores and cut-rate dealers were at one time selling the four leading brands at 10 cents a package—making little or no money. Independent dealers were anything but pleased, and blamed the Big Four.



Richard Carver Wood, courtesy Fortune Magazine

Automatic scales on which 8,000 individual cigarettes a day are weighed as a check on the accuracy of the cigarette making machines.

This was the setting in which the management of Philip Morris launched its new 15-cent blend. Most of the executive heads of the company at that time had long been identified with the industry and with an ample store of both selling and purchasing experience, their first step was a deliberate bid for dealer good will. Philip Morris cigarettes were priced at $6.85 a thousand wholesale, a figure which gave the retailer a gross profit of about 2½ cents a package. In order to maintain the retail price at 15 cents, the management avowed its intention of not selling to price-cutting outlets. With this policy as a keystone, the good will of independent dealers was assured, but as a practical matter it looked as if such a policy placed insurmountable obstacles in the path of national distribution.

But through expert salesmanship and an extra inducement in the form of the company's common stock at $10 a share offered to jobbers and dealers, national distribution was achieved and the majority of distributors gave full support to the company's policy.

Not the least of the company's problems, however, was that of inducing the smoker to accept a new cigarette, priced several cents higher than any of the four leading brands to which he or she was probably addicted. The name Philip Morris was not entirely unfamiliar to the smoking public, it having been identified for some years with several more expensive brands of English and Turkish blended cigarettes. Although the new cigarette carrying the Philip Morris name was an entirely new blend, the company's advertising carried the subtle suggestion that at 15 cents per package, the smoker was getting a bargain in cigarette quality.

The new brand caught on immediately. In less than six months sales doubled and have continued to gain vigorously ever since. Manufacturing facilities have had to be enlarged substantially and the company's plant at Richmond, Virginia, is probably one of the most up-to-date in the industry. Some measure of the growth of Philip Morris cigarettes is afforded by the fact that whereas inventories amounted to only $1,536,964 at the end of March, 1934, they totaled $17,053,298 at the end of the fiscal year March 31, 1937. Sales in September of this year, unofficially estimated at 725,000,000 cigarettes set another new monthly record for the company.

Of particular note, is the fact that the company throughout this period of soaring sales, has not been a prodigal spender for advertising and promotional activity. Outlays of this nature were reported to have amounted to $1,200,000 in 1935 and while they have since been increased, they are still small in contrast with those made by the Big Four—and smaller yet in relation to their effectiveness. Principally through the mediums of radio and dealer displays plus some newspaper and magazine advertising, the company's slogan, "Call for Philip Morris," with its diminutive bell-hop, is widely known.

Notwithstanding the size and rapidity of the sales gains recorded by Philip Morris, requiring the acquisition of new plant capacity and machinery and greatly enlarged inventories, the company has found it necessary to raise only about $5,000,000 in additional capital. This was accomplished last year by offering stock at $50 a share to stockholders in the ratio of one new share for each four held. P. Lorillard & Co., on the other hand, sold $15,000,000 worth of bonds to promote the sale of its Old Gold brand of cigarettes. (*Please turn to page* **56**)

For Profit and Income

Reverse Leverage

The so-called leverage stocks, which are always the pets of the speculative fraternity in a rising market, have not fared so well in the decline. Those same factors which tend to favor this group in a period of rising markets and increasing earnings operate adversely with equal effectiveness when the business prospect becomes clouded and stocks decline. A leverage stock, briefly described, is one which is preceded by a substantial funded debt and perhaps a sizable preferred stock issue. In a capital structure of this nature the charge on earnings ahead of the common stock are heavy with the result that common stock earnings may be little or nothing in a period of depressed business. When business is active, on the other hand, and earnings are rising, per-share results for a leverage stock may be exceptionally good, for once preferred dividends and fixed charges are earned, only a comparatively small further gain in gross could be saved almost in its entirety for the common stock. What is more significant in the present setting, however, is the fact that only a comparatively small decline in gross, say 10 or 15 per cent, could absorb a large proportion of earnings available for the common.

Machine Tool Orders

The index of machine tool orders for the month of September showed a surprisingly good gain. The combined index, compiled by the National Machine Tool Builders Association, stood at 210.7 for the latest month, comparing with 179.8 in August and 118.5 in September a year ago. The index of domestic orders declined about 10 points in September, but this was more than offset by an increase in foreign orders from 50.3 in August to 91.7. The latter figure compares with 35.6 a year ago. Owing to the sustained domestic demand for new machine tools, with unfilled orders piling up to a point where deliveries for most types could not be made in less than fourteen weeks, manufacturers have had to ration foreign shipments. The recent booking of larger export orders can be expected to aid manufacturers in maintaining active operations and unless the business prospect changes greatly for the worse domestic orders can be expected to again pick up in the near future. There have been a number of large inquiries, particularly for the lighter types of machine tools, and as a potential factor the unfilled need for large scale replacements may still be counted on.

Consumer Resistance and the Packing Industry

Every now and again the economic importance of the consumer is rather forcibly brought home. Consumers have become increasingly voluble over the rising cost of living, and particularly the high prices of meat. In Brooklyn, some 4,000 kosher butchers closed their shops in protest, and customers, as they always do when meat prices are high, altered their diet to include larger quantities of fish and vegetables. The packers are not to be blamed for the rise in meat prices, for retail prices only reflect the fancy prices paid by the packers for steers and hogs owing to reduced supplies and high feeding costs, the aftermath of the drought in 1936. Packers fearful that consumer resistance will attain more serious proportions have lately shown increasing reluctance to pay prevailing prices, and prices of both steers and hogs have dropped. The present situation is not new to the packers. The packing industry, operating on an exceptionally small margin of profit, requires almost perfect balance between inventory costs and consumer demand. In other words, packers must be able to offer their products to consumers at a price which they can pay. If not, consumption drops almost immediately and profits suffer. Moreover, profits are subject to the frequently recurring threat of inventory losses. In the circumstances, the fact that leading packers have been able to do as well as they did in the past has been due in an important degree to sale of less sensitive by-products such as fertilizers, scouring powders, etc.

Aviation Progress

Both the manufacturing and transport divisions of the aviation industry continue to record excellent progress. Reliable estimates indicate that total output of new planes, engines and parts in the

third quarter was well in excess of $30,000,000. This is a new high record and more than double the volume of business in the third quarter last year. Available figures indicate that while military demand has been an important factor contributing to record-breaking operations, the greatest gains have been made in commercial equipment. In the first eight months a total of 1,613 planes and 2,967 engines were delivered for commercial units, comparing with 1,006 and 1,776 units respectively in the same months a year ago. Total deliveries of military planes in the first eight months this year were 447 units, comparing with 486 units last year. Complete figures covering the transport division for September are not available but preliminary indications are that traffic held close to the August level, which was at a record high, and may possibly have shown a contra-seasonal gain. Leading companies identified with these divisions promise to show a significant improvement in current earnings, although profits in the manufacturing division may be restricted to some extent by the higher cost of labor and materials.

Price Maintenance

Most manufacturers outside of the drug and cosmetic group are proceeding cautiously in invoking price maintenance laws, notwithstanding pressure from various retail groups. Price maintenance contracts have been made covering various brands of radios, washing machines, electric appliances, books, cigars and cigarettes and liquor. That all is not smooth in the field of price maintenance is indicated by the increasing number of violations by retailers, either directly or through some form of premium dodge. In the liquor industry, some of the manufacturers are fearful of setting a price that might result in a loss of competitive advantage or further encourage bootlegging. And finally, one wonders what will be the fate of price maintenance in a period of prolonged business recession and growing consumer resistance. A survey conducted by R. H. Macy & Co., a leading department store, revealed that despite the fact that 74 new articles of merchandise were added during the month of September to those on which prices are fixed, 99 per cent of the articles sold in their store were price free, whether they bore the trademark of the manufacturer or the store's own brand.

Developments in Companies Recently Discussed

Sears, Roebuck. Company's sales for the period September 11 to October 8, were larger than in any similar period in the company's history. The gain this year was 8.7% over 1936 and for the 36-week period ended October 8, sales of $386,344,207 were some 14% ahead of last year. Already apparent, the effectiveness of enlarged farm buying power may well result in a record-breaking holiday season for the company.

Minneapolis-Moline Power Implement. Special meeting of stockholders scheduled for October 11 was adjourned owing to insufficient proxies in favor of the proposed plan of recapitalization. Subsequently the company declared a dividend of $6.50 on the preferred shares, the last previous payment having been made in December last year at the rate of $3 a share.

American Chicle. Company's earnings continue to record vigorous gains. Net in the September quarter was equal to $2.33 a share for the capital stock, comparing with $2.27 a share in the previous quarter and $1.89 a share in the third quarter of 1936. Net for the first nine months of this year was equal to $6.41 a share, compared with $5.21 a share last year.

United Fruit. Officials of the company estimate earnings for the first nine months at $10,177,000, equal to $3.50 a share for the capital stock. In the same period last year estimated net was equal to $3.65 a share. The drop in current earnings reflects principally weakness in banana prices and while results for the full year may not equal the $4.88 shown in 1936, the decline should not be great enough to jeopardize dividends.

Superheater Corp. Report for the nine months to September 30 shows net income of $2,167,734, including $425,115 of non-recurring profit derived from sales of reacquired stock. In the corresponding months last year, operations produced a profit of $674,025.

Hiram Walker-G. & W. Company's report for the fiscal year ended August 31, last, revealed net of $6,002,815, equal after dividends on the preference shares to $8.29 a share on the common stock. Net for the 1936 fiscal year of $4,335,302 was equal to $6.56 a share for the common. Earnings would appear to justify some increase in the present $2 dividend.

Sharon Steel. Earnings for the first nine months of this year were equivalent to $3.79 a share on the 387,773 shares of common stock, after allowing for dividends on the $5 convertible preferred shares. Earnings in the same period last year were equal to $1.94 a share on a smaller number of common shares outstanding. It might be noted that in the current nine months, earnings applicable to the 59,720 shares of referred stock were equal to more than $27 a share.

Parker Rust-Proof. Company's third-quarter earnings were equal to 53 cents a share on the common stock, comparing with 80 cents a share in the preceding three months and 47 cents a share in the September quarter a year ago. Results for the first nine months of the current year were equivalent to $2.09 a share on 429,498 shares of common stock, after preferred dividends, as compared with $1.72 a share in the same period a year ago.

Hudson Motor. Price increases announced on the company's 1938 models average less than 2%. . . . **Boeing Aircraft.** Company has been awarded an army contract for planes and parts amounting to $2,518,346. . . . **General Motors.** Company's sales in the third quarter increased 43.7% over last year. This most recent showing compared with a decline of more than 6% in the first six months. . . . **American Cyanamid** has declared a $1 dividend on both classes of common stock, payable either in cash or the newly created 5% convertible preferred stock.

Glenn L. Martin. Company's report for the first nine months disclosed net income of $1,018,839, equal to $1.71, a share on the 870,042 shares of capital stock outstanding. No comparable report for last year is available. Sales in the September quarter amounted to $3,218,751.

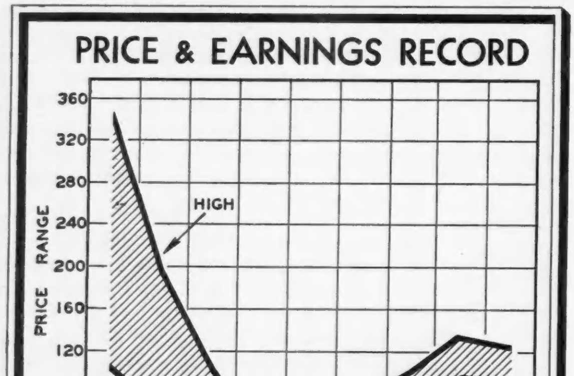
Steady Progress in Sales and Earnings

Record and Prospects Give Stock Attractiveness

BY J. C. CLIFFORD

Carbon gas black is in things which we all see and touch every day of our lives, although few of us realize it. Often called carbon black or gas black, it is manufactured by the incomplete combustion of natural gas in a process which is a very wasteful one and which can only be carried on where there is a huge supply of cheap fuel. Although it is essentially the same thing in every case, various qualities are made, depending upon the use to which the product is to be put.

The most noteworthy property of carbon black is an extreme fineness of particle which gives great opaqueness and tinctorial power. Manufacturers of printing inks and paints quite obviously find this property most useful. Prior to 1914, inks took the greatest amount of carbon black with paints a poor second. As it became generally recognized, however, that carbon black could be mixed with rubber and that the rubber was greatly toughened, its use for this purpose grew by leaps and bounds. The life of tires was remarkably prolonged and the manufacture of carbon black changed overnight from a small-sized static business to one of the most dynamic in the country.



The Columbian Carbon Co. is one of the two big companies engaged essentially in making carbon black. It owns thousands of acres of natural gas lands, leases many thousands more and has a divided interest in additional acreage. At the end of last year there were between six and seven hundred producing wells on the company's own or fully leased land.

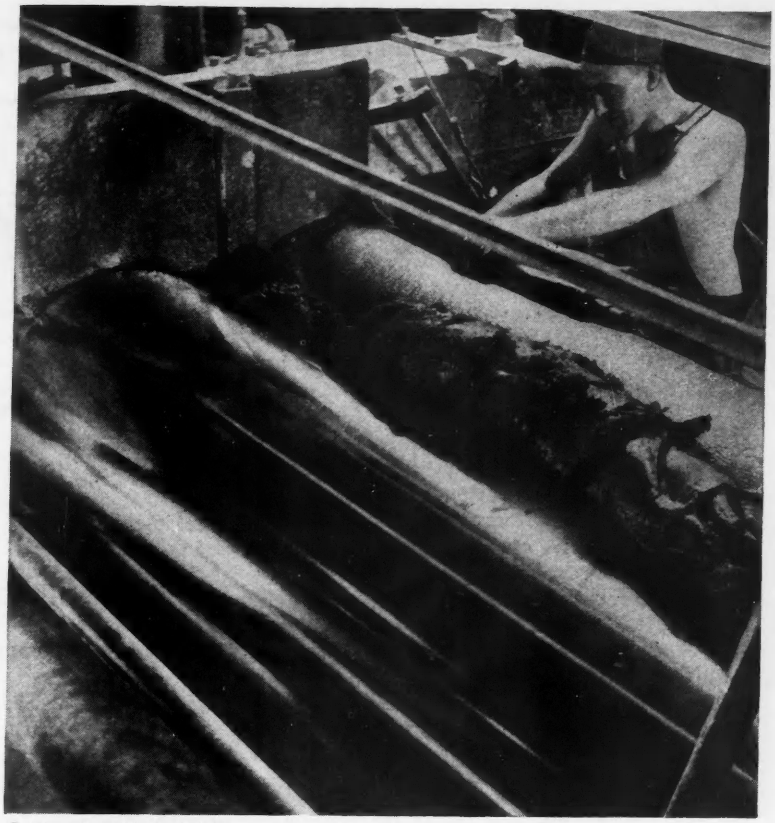
In almost every large business today there are offshoots to the main trunk. The Columbian Carbon Co. is no exception, for the making of carbon black leads one logically into other activities. The first of these other activities is quite obvious: possessing enormous supplies of natural gas it can be seen that the company should have some for sale over and above that needed for the manufacture of carbon black. Last year about 42 per cent of the sales revenue was derived from carbon black and about 30 per cent from the sale of natural gas. Virtually all the gas is disposed of at wholesale, for it has long been Columbian Carbon's policy to avoid the headaches of retail gas distribution. The importance of the gas sideline is apparent even during a year which may be termed normal. In 1936, however, Columbian Carbon averaged between five and six cents a pound for its carbon black: during the worst of the depression the prevailing price was but half this, a price below the costs of production, and as a result the gas sideline was for a time more important than the company's main business.

The second of Columbian Carbon's other activities is the manufacture of printing inks. The wholly-owned

subsidiary, Fred'k H. Levey Co., Inc., has developed a line of "Flashdri" inks which are used by the "Saturday Evening Post," "Ladies' Home Journal" and other publications which it is necessary to print in great quantity and with exceptional rapidity. That these new inks are going like a house afire is apparent from the fact that their sales last year were 800 per cent larger than in 1935. Printing inks as a whole contributed slightly less than 15 per cent to Columbian Carbon's sales revenue for 1936.

Further diversification is afforded by the manufacture of iron oxides and other pigments and the manufacture of natural gas gasoline. The paint trade is the main source of demand for the iron oxides, although considerable quantities are used for polishing plate glass. During 1936 the sale of iron oxides and other pigments made up 9 per cent of all sales, while natural gasoline contributed 4 per cent to the total.

Formed in 1921 as the successor to a West Virginia corporation of the same name, the Columbian Carbon Co. is one of those exceptional organizations which never showed a loss and whose stockholders have never missed their dividends. Even in 1932 when the stock could be bought for some $13 or $14 a share, dividends of $2.50 a share were declared.



Courtesy B. F. Goodrich & Co.

Between the rollers of this rubber mill, raw rubber is mixed with carbon black and other ingredients to make long mileage tires. The tire industry is the largest consumer of carbon black.

Since 1932 both sales and net income have moved steadily forward and last year all previous records were broken. Net sales in 1936 were almost $14,000,000, or more than $1,000,000 greater than in 1929. The net profit of $4,021,137 after taxes, depreciation and other charges was equivalent to $7.48 a share on 537,411 shares of common stock, excluding the 1,009 shares which the company holds in its own treasury. This made a good comparison with the $5.56 a share reported for 1935.

The present year holds out the promise that the record point for sales and profits will be moved another notch forward. In the six months to June 30, last, Columbian Carbon reported earnings equal to $4.69 a share on its common stock, compared with $3.43 a share for the first half of 1936. For the full year, making due allowance for some recession in business during the latter months, it is expected that earnings will be in the neighborhood of a figure equivalent to $9 a share on the common.

Columbian Carbon's dividend policy has always tended towards the liberal. Out of the $7.48 a share earned in 1936, stockholders received $5.75 a share. So far this year stockholders have been paid two quarterly dividends of $1 each, two special dividends of 50 cents each and a special of $1.75 which was paid last month. This makes $4.75 in all. One can count on the regular quarterly dividend of $1 in December, bringing the 1937 payments up to those of 1936, and then one might guess that another special of $1.75 will be paid. This would be reasonable in the light of estimated earnings. If $7.50 in all *were* paid this year, it is certainly a fine return on the stock's present price of $88 a share.

The ownership of the Columbian Carbon Co. rests solely with those who hold its common stock. The company has neither bonds nor preferred stock outstanding—a fact which makes a financial position already strong even stronger. At the end of June current assets totalled $6,714,934 of which $3,254,000 was cash and marketable securities at cost. On the same date current liabilities amounted to $1,170,000. Incidentally, the marketable securities owned by the Columbian Carbon Co. are in the nature of a little investment trust. They consist of bonds, preferred stocks and common stocks of some of our best known companies. The stocks are widely diversified, the list given in the last annual report starting with a hundred shares of Allied Chemical and two hundred shares of American Telephone and ending with five hundred shares of Westinghouse Air Brake and a thousand shares of Wright-Hargreaves. Last year interest and dividends received totalled $688,000, or well over $1 a share on Columbian Carbon's own outstanding common stock.

The longer term outlook for the Columbian Carbon Co. is on the whole a favorable one. The company, of course, is greatly affected by business in general and by the tire industry in particular. (*Please turn to page* 56)

Taking the Pulse of Business

— Industrial Activity Slows

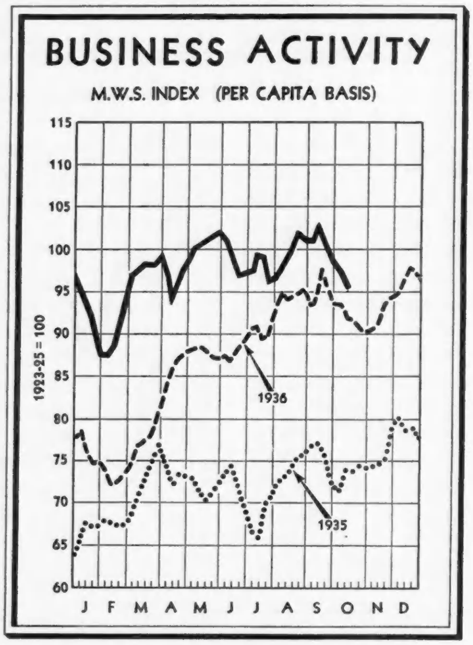
— Metal Prices Should Stabilize

— Motor Output Speeds Up

— Lower Steel Operations

OWING chiefly to a considerably greater than normal seasonal contraction in steel and cotton cloth production, resulting from the working off of backlogs, our per capita Index of Business Activity has receded rather sharply during the past fortnight to around 94.5% of the 1923-5 average, a level, however, that is still about 1% above last year at this time. Reduced operations in the steel, textile and a few other industries have also caused some falling off in the volume of check payments and electric power output. Coal production, lumber shipments and car loadings are about holding their own, on a seasonally adjusted basis; but motor car assemblies are being pushed up rapidly toward a near capacity level in preparation for the Automobile Show which opens on October 27th, two weeks earlier than last year.

For the month of September, per capita Business Activity averaged 100.4, against 100.5 in August and 97.6 for July. Increases over the corresponding periods in 1936 were 8.2% for July, 6.8% for August, and 5.8% for September. Per capita Business Activity during the third quarter averaged 99.5, a gain of 6.9% over last year; compared with 98.5 for the second quarter, which was 12.8% ahead of the corresponding interval in 1936; and 93.4 for the first quarter, which staged an increase of 23.7% over the like 1936 period. For nine months the average has been 97.1, a gain of 13.8% over the corresponding interval a year earlier. With this good running start it seems highly probable, regardless of whatever recession may take place during the fourth quarter, that business volume for the complete calendar year will average not less than 8% above that in 1936. Should the increase be just 8%, per capita Business Activity this year would average 94.4, compared with 87.4 in 1936. This would presuppose an average of 86.3 for per capita Business Activity during the current quarter, a decline of nearly 8% below the average of 93.5 established for the final quarter of 1936, which would appear to be about the worst that even the most hopeless pessimist could anticipate this year.

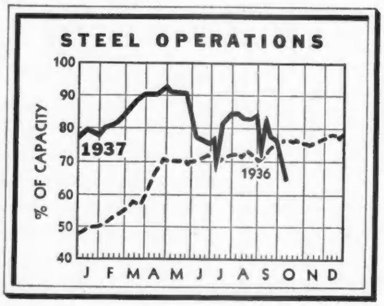


Approaching the fourth quarter outlook from another angle it should be noted that Business Activity at the present time would be considerably lower were the average not being held up by a high rate of activity in the coal and automobile industries and in car loadings, under influences which are purely temporary. It appears now, however, that coal production may not fall off this autumn quite so rapidly as at first expected; since, according to report just released by the National Bituminous Coal Commission, consumer stocks on September 1st were no greater than three months earlier, and were only 25% heavier than on September 1st, 1936. Nevertheless, a temporary drop of around 40% from present levels could easily take place in the not distant future, once the price question has been settled. This alone, after allowing for the collateral effect upon car loadings, would lower our Business Activity Index by about four points. Car loadings, still sustained by past production and the abnormally high rate of automobile and coal shipments, continue to establish new recovery highs weekly; but will soon reach a seasonal peak and then begin to fall off rather sharply under the pressure of receding business activity and contracting soft coal shipments. This would lower the Business Activity Index by at least another point. In the rush to supply dealer samples, automobile production, on a seasonally adjusted basis, has risen temporarily to 50% above normal, a new high for the recovery. When

the volume of assemblies returns to normal, or perhaps somewhat below normal, as is bound to happen before the year-end, at least another five points will be taken from general business activity. Thus it appears that these three industries alone, even if other components of the Index remain stationary in the meantime, will sooner or later cause a 10-point decline in Business Activity, thereby bringing the Index down to around 84. At 82.4, per capita Business Activity would be 20% lower than the recovery peak of 103.1 reached during the second week in September. A recession of such proportions would about parallel the post-NRA set-back, which also amounted to 20%. The post-NRA recession was short lived and occasioned no especial alarm. There is no reason why the present inevitable adjustment should be viewed with less complacency.

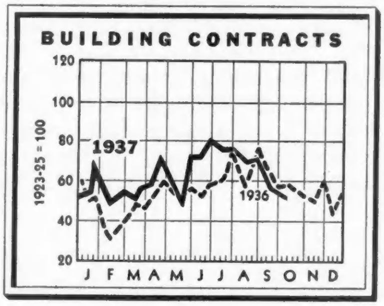
The Trend of Major Industries

STEEL — Uncertainties in the nearby business outlook and the removal of incentives to forward buying, such as the springtime fears of price advances and labor trouble, have led domestic consumers of steel to be so cautious about placing new orders that the industry's operating rate has declined to around 56% of capacity and 19% below last year at this season. This level, however, is probably as low as operations will go this year. The automotive industry, having failed thus far in its efforts to obtain price concessions, is placing some orders, and a larger volume from this industry is anticipated in coming weeks. Other consumers, with the exception of farm



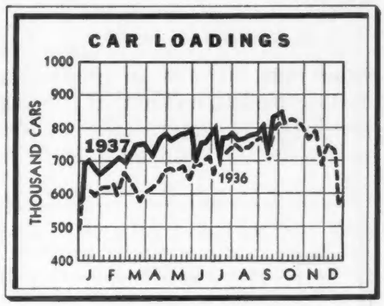
implement and household equipment makers, are drawing upon inventories accumulated during the spring buying wave, or purchasing merely on a hand-to-mouth basis. Miscellaneous users are stocked for 30 to 90 days ahead at present rates of consumption. Foreign demand is still heavy, as indicated by September machine tool orders, which were 83% ahead of August, against an 8% decline in domestic orders. Profits for the third quarter were probably somewhat under the good second quarter's showing; but well above the corresponding period for 1936. Fourth quarter earnings will be below those for the final three months of last year.

CONSTRUCTION — Awards for engineering construction in September were off 15% from September a year ago, with private awards down 20% against a decline of only 11% in public awards. For nine months, the gain over last year in engineering construction awards amounted to 8.5%. A recent survey indicates



that at the present time there exists a cumulative housing shortage of 2,000,000 units throughout the nation; so that the present lull in residential building can last only until rents catch up with construction costs.

RAILROADS — With an extra $35,000,000 added recently to annual payrolls through the wage compromise with operating unions, the rails are laying plans to petition the I. C. C. for a general freight rate advance as soon as decisions are rendered in the pending rate case. A restoration of passenger fares may also be sought. Meanwhile some savings in expenses are being effected through seasonal lay-offs of maintenance workers. A hint that too much stress may have been placed upon competition as a cause of the railroads' plight may be found in a recent statement by J. V. B. Duer, chief electrical engineer of the Pennsylvania, before the American Society of Mechanical Engineers, to the effect that the railroads still carry 70% of the country's freight



and upward of 60% of all passenger traffic for hire last year.

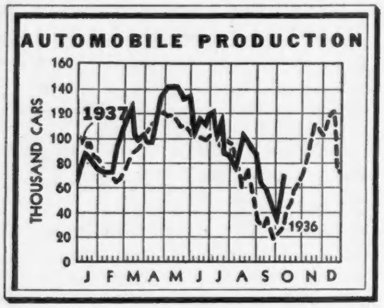
METALS — Prompt action by both foreign and domestic producers in curtailing production before stocks have an opportunity to become top-heavy again, should have the effect of stabilizing the price of copper at a comparatively high level during the present interval of reduced demand, and thus help to cushion the temporary recession in profits. Domestic curtailment, in the case of Phelps-Dodge, will amount to 20%; foreign curtailment will place production at 105% of basic tonnages by the end of November. Canadian output of nickel in August increased 64% over the corresponding period of 1936, against an eight months' gain of 42%. Domestic production of slab zinc in September was up 19% from last year, and stocks showed the first increase in 21 months. World visible supply of tin decreased 11% in September; but is still 36% ahead of last year.

AVIATION — Deliveries of airplanes, engines and spares during the third quarter reached a new high record of well over $30,000,000—more than double the output for the corresponding quarter of 1936. Air passenger traffic in September is believed to have registered a contra-seasonal gain over August and reached new record heights. Unfortunately, however, both branches of the industry are operating at a very low unit profit, owing largely to costly development work.

RAYON—Rayon output has been curtailed by about 30% since July;

but inventories are not accumulating rapidly. So far as possible, production is being reduced by shortening hours to avoid the laying off of employees.

AUTOMOBILES—All makes of motor cars are now in production on 1938 models, and output is being speeded up to supply dealer samples in time for the Automobile Show in October. September assemblies were about 20% ahead of last year; but if would not be surprising if sales and profits before the year-end should fall somewhat below the previous year.

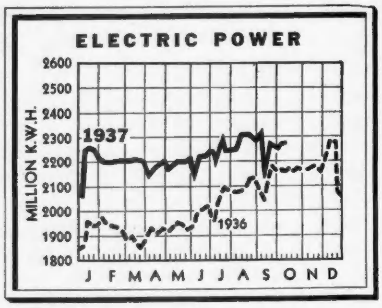


OIL—Good progress toward curtailment of crude output has been made during the past fortnight, but production is still 17% ahead of last year, which is toe high in proportion to consumption, especially in view of the probability that somewhat greater than normal falling off in demand may follow in the wake of receding general business activity.

MERCHANDISING — Persistent weakness in the stock market is hurting sales in some of the more populous centers; though unseasonally warm weather is probably the major obstacle in other sections. For the month of September, department store sales throughout the country gained 6% over the corresponding period of 1936, against a nine months' increase of 9%; variety store sales gain 2%, against 5% in nine months; while September's chain store sales increased 7.6% over the previous year. Montgomery Ward reports a September improvement of 12.3%, against 21% for nine months. Except in clothing lines, retail credit conditions are still satisfactory. In a recent address before the National Association of Food Chains, Mr. F. H. Massman, president of the National Tea Co., asserted that loss-leader merchandising, a direct cause of the 42 State fair-trade laws, is still the greatest problem in distribution. He thinks that many manufacturers are more responsible than the chains for this practice, and observes that "the article most heavily advertised in the one that gets down to cost or below cost quickest and stays there."

SHOES—Shoe production in September was about 10% lower than last year, compared with a 10% increase for ten months. Prices down the line from shoes to hides have been receding in keeping with the deflationary trend in other commodities. This is a direct consequence of the spring boom when merchants piled up excessive inventories.

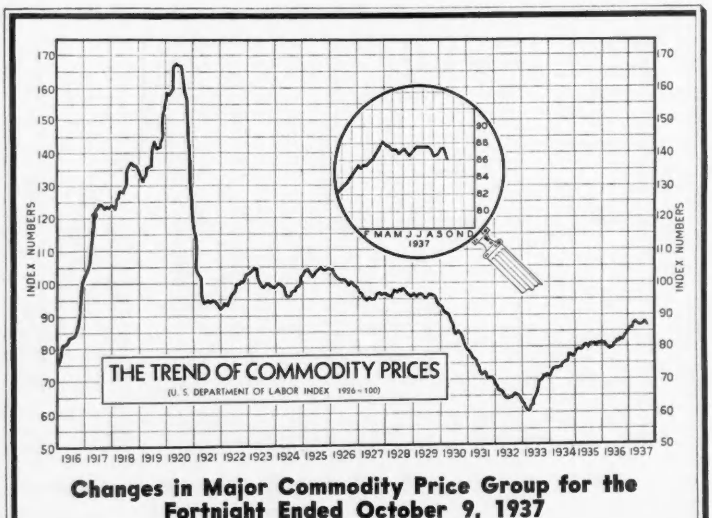
UTILITIES—Reflecting the arching over in general business activity, electric power output continues to report progressively narrowing gains over the previous year, and this is naturally being reflected in the business of electric equipment manufacturers. Thus new orders booked by the General Electric Co. during the first quarer were 78% ahead of the corresponding period of 1936; while second quarter bookings increased only 44%, and the third quarter gain dropped to 17%, against a cumulative increase of 45% for nine months. Unfortunately there is little encouragement to investors in the public utilities to be derived from the President's recent public addresses.



SHIPBUILDING — Gross tonnage completed in U. S. shipyards during the third quarter was about 9% ahead of the second quarter.

Conclusion

Owing chiefly to the working off of backlogs in the steel and textile industries, per capita Business Activity has sunk back to about last year's level. Business volume at the present time would probably be about ten points lower were it not for the unseasonally high rate of coal and automobile production. With the removal of these artificial influences, it would not be surprising if the present recession should, before the year-end, attain about the proportions of the post-NRA set-back in 1934. There would be nothing especially alarming about such a period of adjustment after three years of expanding business.



Changes in Major Commodity Price Group for the Fortnight Ended October 9, 1937

Farm products	down 4.6	Metals	down 0.8
Foods	down 1.8	Building material	down 0.6
Hides and leather	down 0.2	Chemicals	no change
Textiles	down 1.2	Housefurnishings	no change
Fuel and lighting	down 0.1	Miscellaneous	down 0.5

ESSENTIAL STATISTICS

Finance Securities Business

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1936 Indexes High	1936 Indexes Low	No. of Issues	(1925 Close—100)	1937 Indexes High	1937 Indexes Low	Oct. 2	Oct. 9	Oct. 16
106.0	78.4	330	COMBINED AVER.	122.0	61.1	77.7	70.8	61.1x
204.6	113.4	5	Agricultural Implements...	253.3	135.5	182.0	165.3	135.5x
68.6	39.9	6	Amusements	72.6	42.6	55.2	51.1	42.6x
143.5	116.8	16	Automobile Accessories..	146.6	66.6	90.0	81.8	66.6x
24.9	17.7	13	Automobiles	30.1	12.1	16.7	15.1	12.1x
156.8	104.3	8	Aviation (1927 Cl.—100).	178.0	80.7	97.5	94.1	80.7x
23.8	12.6	3	Baking (1926 Cl.—100)...	28.5	10.4	13.3	11.9	10.4x
500.9	318.6	2	Bots. & Cks. ('32 Cl.—100)	547.0	342.4	399.1	371.9	342.4x
262.0	202.8	3	Business Machines	308.6	167.4	207.7	196.1	167.4x
287.4	216.2	2	Cans	242.8	172.5	195.3	188.0	172.5x
237.1	187.5	10	Chemicals	247.7	143.8	174.9	158.2	143.8x
73.8	42.8	15	Construction	88.3	33.8	47.0	40.4	33.8x
166.4	87.9	10	Copper & Brass	217.3	88.8	117.8	106.5	88.8x
47.8	39.3	2	Dairy Products	43.0	28.2	32.5	31.0	28.2x
41.8	23.3	10	Department Stores	42.7	20.5	26.1	23.9	20.5x
100.1	72.8	8	Drugs & Toilet Articles....	108.8	56.6	66.8	65.2	56.6x
441.1	227.2	2	Finance Companies	388.4	252.1	283.8	262.6	252.1x
70.1	60.9	7	Food Brands	71.9	42.0	47.3	45.0	42.0x
56.6	41.4	4	Food Stores	42.7	29.9	34.8	33.3	29.9x
103.2	65.7	3	Furniture & Floor Coverings.	122.3	63.4	79.8	71.3	63.4x
1296.9	1116.0	4	Gold & Platinum Mining..	1253.6	831.0	990.3	925.1	831.0x
51.0	36.6	5	Investment Trusts	58.6	30.1	36.3	32.5	30.1x
341.6	265.2	3	Liquor (1932 Cl.—100)...	317.8	186.9	231.8	213.3	186.9x
189.5	134.7	9	Machinery	209.8	109.4	136.5	123.5	109.4x
107.4	61.3	2	Mail Order	104.3	66.5	79.6	72.7	66.5x
83.9	59.4	4	Meat Packing	109.6	51.5	66.4	61.5	51.5x
232.5	159.5	14	Metal Mining & Smelting..	334.1	158.8	204.2	183.9	158.8x
23.4	6.0	2	Paper	26.5	8.8	14.9	11.9	8.8x
142.8	97.2	24	Petroleum & Natural Gas..	158.8	97.1	115.8	108.3	97.1x
96.6	67.2	18	Public Utilities	114.9	50.5	64.7	58.9	50.5x
35.4	26.7	4	Radio (1927 Cl.—100)....	31.7	16.8	23.6	21.3	16.8x
100.4	52.5	9	Railroad Equipment	112.9	41.2	53.6	46.8	41.2x
39.8	37.3	24	Railroads	48.6	19.2	26.3	23.0	19.2x
27.1	13.4	3	Realty	28.1	7.7	11.5	10.0	7.7x
87.6	62.7	4	Shipbuilding	87.6	36.5	49.0	45.2	36.5x
124.5	85.2	12	Steel & Iron	165.6	82.2	103.6	92.6	82.2x
45.3	29.8	6	Sugar	45.2	24.0	30.0	27.2	24.0x
175.6	142.5	2	Sulphur	171.2	119.0	143.9	134.5	119.0x
97.4	76.6	3	Telephone & Telegraph....	85.3	46.4	53.1	49.4	46.4x
83.5	62.0	8	Textiles	91.8	43.7	58.3	54.3	43.7x
20.9	10.6	4	Tires & Rubber	29.2	13.1	18.0	15.9	13.1x
100.2	87.2	4	Tobacco	99.4	75.0	80.2	75.4	75.0x
76.2	61.0	5	Traction	71.9	22.2	31.9	28.1	22.2x
369.2	232.5	4	Variety Stores	346.8	187.1	222.9	209.8	187.1x

x—New LOW this year.

DAILY INDEXES OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, Oct. 4	80.05	152.19	40.43	112.45	110.75	631,400
Tuesday, Oct. 5	79.28	144.08	38.68	109.62	104.84	1,680,720
Wednesday, Oct. 6	79.23	147.18	38.99	108.11	103.61	1,783,610
Thursday, Oct. 7	79.38	146.59	38.67	110.74	107.04	1,190,120
Friday, Oct. 8	79.14	144.03	37.26	108.62	105.00	1,148,700
Saturday, Oct. 9	78.95	143.93	37.39	105.96	105.06	488,980
Monday, Oct. 11	78.30	138.79	35.40	105.25	101.16	1,747,645
Tuesday, Oct. 12		HOLIDAY EXCHANGE CLOSED				
Wednesday, Oct. 13	77.80	138.20	35.26	103.23	98.99	2,567,030
Thursday, Oct. 14	77.49	136.54	34.30	102.61	99.09	1,681,530
Friday, Oct. 15	77.08	135.48	33.64	100.38	96.89	2,538,270
Saturday, Oct. 16	76.71	136.30	33.33	99.64	97.96	1,320,430

STOCK MARKET VOLUME

Week Ended Oct. 16	Week Ended Oct. 9	Week Ended Oct. 2
9,854,905	6,923,530	6,875,063
Total Transactions Year to Oct. 16	**Same Date 1936**	**Same Date 1935**
318,430,128	379,149,458	256,554,081

Note: Latest figures compiled as of Oct. 16. (b)—1,000 Gross tons. (c)—Iron Age 25-27-100. (d)—F. W. Dodge—37 states. (f)—Dun & Bradstreet. (G)—U. S. Labor Bureau. '23-25-100. ★—000 omitted. §—Week ended Oct. 16. †—000,000 omitted. *—Iron Age Composite. Jl—July. Ag—August.

MONEY RATES	Latest Week	Previous Week	Year Ago
Time Money (90-day)	1¼%	1¼%	1¼%
Prime Commercial Paper	1%	1%	¾@1%
Call Money	1%	1%	1%
Re-Discount Rate N. Y.	1%	1%	1½%

CREDIT	Latest Week	Previous Week	Year Ago
Bank Clearings, N. Y.†	$2,486	$3,782	$2,789
Bank Clearings (outside N. Y.)†	1,848	2,345	1,847
Brokers' Loans, F. R.†	968	982	971

	Oct. 1	Sept. 1	Last Year
Brokers' Loans N. Y. S. E.†	$1,039	$1,186	$978
New Capital Financing†	156.3Se	75.6Ag	177.9

COMMODITY PRICES	Latest Week	Previous Week	Year Ago
Finished Steel* c per lb	2.605	2.605	2.197
Pig Iron* $ per ton	23.25	23.25	18.73
Steel Scrap* $ per ton	16.25	16.91	16.67
Copper, $ per lb	.12	.12½	.0975
Lead, $ per lb. N. Y.	.0575	.06	.0460
Zinc, $ per lb. N. Y.	.06	.06¼	.0485
Tin, $ per lb. N. Y.	.50⅞	.54⅝	.4435
Rubber, $ per lb	.16½	.16⅞	.16⅜
Crude Oil (Mid-Cont.), $ per barrel	1.27	1.27	1.17
Sugar, raw, $ per lb	.0315	.0317	.0335
Silk, raw, $ per lb	1.72	1.65	1.70
Wool, raw, $ per lb	.95-.97	.95-.97	.89
Wheat Price, Dec., $ per bu.	.99⅛	1.00½	1.15⅞
Cotton Price, Dec., $ per lb.	.0832	.0792	.1197
Corn Price, Dec., $ per bu	.59-.58⅞	.58⅞-.59	94⅛

KEY INDUSTRIES	Sept.	Aug.	Year Ago
Steel Ingot Prod. (b) (tons)	4,302	4,876	4,161
U. S. Steel Corp. Shipments (b) (tons)	1,048	1,108	962
Pig Iron Production (b) (tons).	3,410	3,606	2,730
Operating Rate % Capacity..	63.5§	66.0	75.0
Auto Production	405,064Ag	456,909Jl	275,934
Bldg. Contract Awards (d)★	$207,072	$285,104	$234,272
Residential Bldg. (d)★	65,590	73,448	80,670
Engineering Contracts★	210,511	170,068	197,372
Cotton Consumption (bales)★.	602	604	630
Mach. Tool Orders, '26—100%	210.7	179.8	118.5

	Latest Week	Previous Week	Year Ago
Oil Prod., daily aver. (bbls.)★.	3,579	3,647	3,025
Stocks of Gasoline★ (bbls.)	65,532	65,266	57,760
Elec. Pwr. Output (kwh)†	2,280	2,276	2,168
Capital Goods Activity (c)	88.3	84.7	81.0

TRANSPORTATION	Latest Week	Previous Week	Year Ago
Carloadings★	815	847	820
Miscellaneous Freight★	326	339	334
Merchandise, L.C.L.★	174	175	173

TRADE	Sept.	Aug.	Year Ago
Dept. Store Sales '23-25—100%	95	92	88
Mail Order Sales★	$92,217	$69,616	$83,743
Merchandise Imports★	245.7Ag	265.3Jl	193.0
Merchandise Exports★	277.7Ag	267.2Jl	179.0
Business Failures (F)	564	707	586

EMPLOYMENT	Aug.	July	Year Ago
Factory (G)	102.2	101.4	93.5
Durable Goods Industries (G).	98.1	98.9	84.7
Consumers Goods (G)	106.6	104.1	102.8
Factory Payrolls (G)	103.7	100.4	83.5

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

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McKeesport Tin Plate Corp.

I am informed that McKeesport Tin Plate is booked to capacity until 1938. Nevertheless, I am worried over the stock's big drop this year and am considering "getting out" soon. Do you look for higher wage and material costs to narrow profit margins?—E. G., Indianapolis, Ind.

As a result of the merger of McKeesport Tin Plate Co. with its can manufacturing subsidiary, McKeesport Tin Plate Corp. now ranks among the leaders in the metal container industry. The report of the new company covering the period from January 1 to July 3, 1937, revealed a net profit of $773,373, equal to $1.06 a share on the 727,584 shares of capital stock now outstanding. No direct comparison is possible with the preceding year's results, but including 65% of the can manufacturing subsidiary's earnings, a net figure of $747,000 was reported for that period. Indications are that some improvement in the earnings picture will be registered for the final half of this year, which should bring per share earnings well above the present $2 annual rate on the stock. Costs seem to be tending higher in the tinplate division, and profit margins here may be narrowed. The prospect for the can manufacturing division is favorable, principally because of the large vegetable and fruit packs this year and this should prove an offset to possibly less favorable operations in the tinplate division. With a view to strengthening the working capital position of the company, stockholders have been asked to approve the flotation of an issue of preferred. The proceeds would be used to liquidate about $2,000,000 in bank borrowings and for the improvement of properties. In view of the favorable outlook for the can manufacturing operations of the company, we look for relatively well sustained earning power and while the stock is not one likely to register any sharp runup in the market, it does appear reasonably priced for retention here.

Borden Co.

Will you kindly advise me, a new subscriber, on the possibilities in Borden Co. from here on. At present levels it is just about where I bought it in 1935. Is it in a position to benefit from the rising trend of food prices?—B. D., Albany, N. Y.

Engaged in the relatively stable business of dairy products, there would seem to be little to indicate earnings gains of sufficient extent to stimulate great speculative interest in Borden Co. stock. On the other hand, sales volume this year is understood to be running above a year ago, which should enable the organization to offset increased expenses and report for the full year, earnings somewhat ahead of the $1.80 a share recorded for 1936. Finances of the company are in excellent shape, and the 4,396,704 shares of common stock represent the sole capital obligation. Accordingly, the $1.60 per share annual dividend rate appears secure, with the possibility of moderate extra payments. At prevailing quotations of around 22, the stock yields approximately 7%, based on the regular rate only, which is still in excess of that for the majority of industrial stocks of comparable quality. During the current year the management has disposed of certain unprofitable produce divisions which are said to have resulted in losses over the past six years, averaging over $600,000 annually. In addition to eliminating this business as a source of sizable losses, the sale of the properties has released additional working capital to be employed in the more profitable divisions of the business. With an excellent balance sheet position and no bonds or preferred stocks ranking ahead of the common, the latter may be classed as a sound income producer, with at least moderate possibilities of worthwhile appreciation from current levels. Admittedly, competition in the fluid milk division does not suggest

(*Please turn to page* 51)

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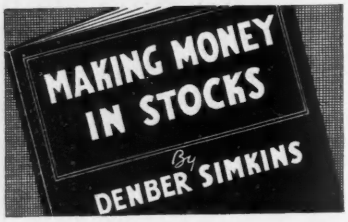
Include a Complete List of Your Present Holdings for Our Analysis and Recommendations



New York Stock Exchange

Rails

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 10/13/37	Div'd $ Per Share
A								
Atchison	60	35¾	88½	59	94¾	42¾	46¼	‡2.00
Atlantic Coast Line	37¼	19½	49	21⅝	55½	28⅜	28⅝	....
B								
Baltimore & Ohio	18	7½	26½	15⅞	40½	12⅝	13¾	......
Bangor & Aroostook	49½	36⅛	49½	39	45	34	34	2.50
C								
Canadian Pacific	13¾	8⅝	16	10⅞	17½	8	8⅜	....
Chesapeake & Ohio	53¼	37⅛	77¾	51	68⅞	37⅞	38½	*2.80
Chicago Gt. Western Pfd	5⅝	1⅝	14⅝	4	18¼	5	5	....
C. M. & St. Paul & Pacific	3	¼	2⅞	1⅛	3⅞	1	1⅛	....
C. M. & St. Paul & Pacific Pfd.	4¾	¾	5⅞	2⅞	7¼	2	2	....
Chicago & North Western	5⅝	1⅜	4⅞	2½	6⅜	2	2	....
Chicago, Rock Is. & Pacific	2⅝	¾	3	1½	3⅝	1¼	1¼	....
D								
Delaware & Hudson	43½	23½	54¾	36¾	58⅜	18¾	19	....
Delaware, Lack. & West	19⅛	11	23⅛	14⅞	24½	8½	8⅞	....
E								
Erie R. R.	14	7⅛	18¼	11	23⅝	8	8½	....
G								
Great Northern Pfd	35⅛	9⅝	46⅜	32¼	56¾	32½	33⅛	....
I								
Illinois Central	22¼	9½	29½	18⅝	38	11⅝	12¼	....
K								
Kansas City Southern	14½	3¾	26	13	29	8	8¾	....
L								
Lehigh Valley	11½	5	22	8½	24⅝	7¼	7⅜	....
M								
Mo., Kansas & Texas	6⅜	2½	9⅝	5½	9¾	2¾	2¾	....
Mo., Kansas & Texas Pfd., A	16¼	5⅞	33⅜	14½	34⅝	10½	11¼	....
Missouri Pacific	3	1	4	2⅛	6¼	1⅝	1⅝	....
N								
New York Central	29¾	12¼	49⅝	27¾	55¼	20⅝	21⅞	....
N. Y., Chic. & St. Louis	19	6	53⅛	17¾	72	25¾	25¾	....
N. Y., N. H. & Hartford	8½	2⅝	6⅛	3	3¾	2⅝	2⅝	....
Norfolk & Western	218	158	310½	210	272	198	198	10.00
Northern Pacific	25¼	13⅛	36¾	23⅞	36⅝	14½	15⅛	....
P								
Pennsylvania	32½	17¼	45	28¼	50¼	23½	24½	‡.50
R								
Reading	43⅛	29⅞	50¾	35½	47	25	25½	2.00
S								
St. Louis-San Fran	2	¾	3⅝	1½	4¾	1¼	1¼	....
Southern Pacific	25½	12¾	47⅞	23½	65⅜	22½	24⅝	.....
Southern Railway	16½	5½	26½	12¾	43⅜	13¾	14⅞	....
T								
Texas & Pacific	28½	14	49	28	65⅛	42½	44	2.00
U								
Union Pacific	111½	82½	149¾	108½	148¾	95	96¾	6.00
W								
Western Maryland	10⅛	5½	12⅛	8⅛	11¾	4⅛	4¼	....
Western Pacific	3⅜	1⅛	4	1⅞	4¾	1¼	1¼	....

Industrials and Miscellaneous

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 10/13/37	Div'd $ Per Share
A								
Air Reduction	....	....	86½	58	80¼	57½	60	*1.00
Alaska Juneau	20⅛	13¼	17½	13	15¾	9½	10½	*.60
Allegheny Steel	32	21	40⅜	26⅞	45⅝	20½	21	‡1.20
Allied Chemical & Dye	173	125	245	157	258½	169	171	6.00
Allied Stores	9	3⅛	20⅛	6¾	21⅞	10⅛	10⅜	*.20
Allis Chalmers Mfg	33⅞	12	81	35⅜	83½	43½	45⅝	‡2.00
Alpha Portland Cement	22¾	14	34½	19¾	39¾	14	14	1.00
Amerada	80	48½	125½	75	114⅞	67½	72⅞	2.00
Amer. Agric. Chemical (Del.)	57¾	41½	89	49	101½	65	66	‡6.50
American Bank Note	47⅜	13½	55½	36	41⅜	14⅞	15	‡.75
Amer. Brake Shoe & Fdy	42½	21	70¼	40	80¾	42	45½	‡2.00
American Can	149⅝	110	137½	110	121	90¼	93	*4.00
Amer. Car & Fdy	33⅞	10	60½	30	71	22¾	23	‡.25
American & Foreign Power	9¼	2	9¾	6½	13¾	3¾	3⅞	....
Amer. Power & Light	9⅝	1½	14⅜	7½	16½	5¼	5⅜	....
Amer. Radiator & S. S.	25⅛	10½	27⅜	18¾	29½	11⅝	12	.60
Amer. Rolling Mill	32⅜	15¾	37	23¾	45¼	25	26	2.00
Amer. Smelting & Refining	64⅝	31⅝	103	56¾	105¾	56½	59	‡4.00
Amer. Steel Foundries	25¼	12	64	20½	73¼	27¼	30½	‡1.50
Amer. Sugar Refining	70½	50⅛	63⅝	48¼	56⅞	31½	32	2.00
Amer. Tel. & Tel.	160½	98⅞	190⅛	149½	187	151¼	154⅛	9.00
Amer. Tob. B	107	74¾	104	88½	99⅞	70¼	73	5.00
Amer. Water Works & Elec	22¾	7⅛	27¾	19⅛	29½	11⅛	11¼	‡.60
Amer. Woolen Pfd	68¾	35½	70¾	52¾	79	39	40	‡‡3.00
Anaconda Copper Mining	30	8	55⅜	28	69½	30⅜	32¾	‡1.25
Armour Co. of Ill	6⅛	3¼	7⅜	4⅝	13¾	7	7¼	‡.55
Atlantic Refining	28	20½	35⅛	26⅝	37	20⅛	20½	1.00
Auburn Auto	45½	15	54¼	26⅝	36¾	8	8	....
Aviation Corp. Del	5¼	2¾	7¾	4⅝	9¼	3¾	4	....
B								
Barber Co	22½	11¾	38½	21	43⅜	16⅛	16¼	†.25
Barnsdall Oil	14¾	5⅞	28¼	14⅛	35¼	14¾	15⅜	1.00
Beatrice Creamery	20⅛	14	28⅜	18	28¾	17	17½	*1.00
Bendix Aviation	24½	11⅞	32⅜	21⅝	30½	12⅛	13⅛	‡.75
Best & Co.	57½	34	72	48	62¾	43½	43½	*2.50
Bethlehem Steel	52	21⅝	77¾	45¾	105½	55½	59½	‡2.50

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935		1936		1937		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	10/13/37	Share
B								
Boeing Airplane	22½	6⅛	37⅜	16⅞	49¾	21⅜	26½	....
Borden Co	27¾	21	32⅜	25⅝	28	20¼	20¼	1.60
Borg Warner	.....	.....	....	....	50⅝	33	34	2.00
Bridgeport Brass	17⅛	8½	18⅞	12⅛	23¼	11½	11½	....
Briggs Mfg	55⅜	24½	64⅞	43¼	59⅞	28¾	29	‡2.50
Brooklyn-Manhattan Transit	46¾	36½	58¼	40¼	53	9¾	13	....
Bucyrus Erie	8⅞	4¼	21¾	8⅞	25¼	9¾	9¾	‡.25
Budd Mfg	9¾	3¼	15⅞	9⅛	14⅜	5	5⅛	....
Byers & Co. (A. M.)	20⅝	11⅜	29⅛	16½	33¾	11	11	....
C								
Calumet & Hecla	6¾	2½	16½	6	20⅛	7⅞	8⅛	‡1.10
Canada Dry Ginger Ale	17⅞	8⅛	30¾	10⅜	38¼	12½	13¼	....
Case, J. L	111¼	45¾	186	92½	191¾	108	111	‡6.00
Caterpillar Tractor	60	36½	91	54¾	100	66½	67	2.00
Celanese Corp	35⅜	19½	32¼	21¾	41¼	22¾	23⅝	‡2.25
Cerro de Pasco Copper	65⅜	38⅝	74	47¾	86⅜	49	52½	*4.00
Chesapeake Corp	61¼	36	100	59	68⅞	37⅞	38½	*2.80
Chrysler Corp	93⅞	31	138¾	85½	135¼	78	80¾	‡7.00
Coca-Cola Co	93	72½	134	84	170½	119¼	120¼	3.00
Columbian Carbon	101¼	67	136½	94	125¾	88	88	*4.00
Colum. Gas & Elec	15¾	3⅜	23⅜	14	20⅞	8⅛	8¼	‡.45
Commercial Credit	58	39½	84⅞	44	69¼	44¼	46	*4.00
Comm. Inv. Trust	72	56¼	91¾	55	80¼	47¼	48	4.00
Commercial Solvents	23⅞	16½	24⅝	14¼	21¼	9	9	.60
Commonwealth & Southern	3	¾	5½	2¼	4⅛	1½	1⅝	....
Consolidated Edison Co	34¾	15⅞	48⅜	27¼	49⅞	25¾	27	‡1.50
Consol. Oil	12¼	6½	17¼	11½	17⅞	10	10½	*.80
Container Corp	23⅛	22	26¼	15¾	37⅜	16¼	16½	1.20
Continental Baking, A	11⅞	4½	35⅜	10⅜	37¾	10¼	11⅛	....
Continental Can	99¼	62¾	87¼	63¾	69⅛	48¾	50¾	3.00
Continental Oil	35	15⅛	44⅞	28⅛	49	30¾	31¾	‡1.25
Corn Products Refining	78⅜	60	82½	63⅝	71¼	54⅞	59¾	3.00
Crane Co	27⅜	7	50½	24	56½	27	30½	....
Crown Cork & Seal	48⅞	23½	91½	43⅝	100⅞	37¾	38¼	2.00
Curtiss-Wright	4⅝	2	9¼	4	8⅜	3¾	3¾	....
Curtiss-Wright, A	12¼	6¼	21⅞	10½	23¾	12⅛	13⅜	....
Cutler-Hammer	47	16	83¾	43¼	90⅞	50	50	‡2.00
D								
Deere & Co	58¾	22¾	108¾	52	143½	91	91	‡2.00
Distillers Corp. Seagrams	38½	13⅝	34⅝	18¼	29	13⅝	13⅝	....
Dome Mines	44⅞	34⅛	61½	41½	51	36¼	41	‡4.50
Douglas Aircraft	58⅜	17½	82¼	50⅝	77¼	32⅜	39¾	....
Du Pont de Nemours	146½	86⅝	84¾	133	180⅛	126	128⅝	‡4.25
E								
Eastman Kodak	172¼	110½	185	156	198	151	159	8.00
Electric Auto Lite	38¾	19⅜	47½	30¾	45½	23¼	25	‡2.20
Elec. Power & Light	7½	1⅛	25⅞	6⅜	26⅝	11½	11¾	....
Endicott Johnson Corp	66	52¾	69	53½	60	40	40	3.00
F								
Fairbanks, Morse	39½	17	71¾	34¾	71⅞	32	34	*1.00
Firestone Tire & Rubber	25½	13⅛	36¼	24⅞	41⅜	22½	23⅞	2.00
First National Stores	58⅞	44⅜	58⅝	40	52¼	35⅝	35⅝	2.50
Foster Wheeler	30	9⅞	45⅜	24⅛	54½	18	19½	....
Freeport Sulphur	30⅝	17¼	35⅝	23½	32¼	23½	23½	‡1.00
G								
General Amer. Transpt	48½	32⅝	76	42¼	86½	41⅞	41⅞	‡1.50
General Baking	13⅜	7⅜	20	10¾	19½	8	8⅜	.60
General Electric	40⅞	20½	55	34½	64⅞	38¼	40	‡1.20
General Foods	37⅞	30	44	33⅜	44⅛	30¼	31½	2.00
General Mills	72½	59⅞	70½	58	65⅞	53	53	3.00
General Motors	59⅜	26⅝	77	53⅞	70½	40½	42⅞	‡2.25
General Railway Signal	41¼	15⅝	57	32½	65⅛	23	24½	1.00
Gen. Realty & Utility	3⅛	¾	4⅞	2	5¾	1¾	1¾	....
General Refractories	33½	16¾	71	33¼	70¼	27¼	29	†2.00
Glidden	49½	23⅜	55¼	39½	57½	29	29⅝	*2.00
Goodrich Co. (B. F.)	14½	7½	35½	13⅝	50½	19⅝	21	‡1.00
Goodyear Tire & Rubber	26⅞	15¾	31⅞	21⅝	47⅜	23¼	24⅛	‡1.50
H								
Heckers Products	22	14⅜	21⅜	12⅝	15⅞	8½	8½	*.60
Houston Oil	7	1½	13⅞	6⅜	17⅝	7⅞	8	....
Hudson Motor Car	17½	6¼	22⅝	13½	23¼	8	8¼	....
I								
Industrial Rayon	36⅜	23½	41⅜	25⅝	47½	24⅞	26	2.00
Inspiration Copper	8⅜	2½	24¼	6⅛	33⅛	12½	12⅞	....
Interborough Rapid Transit	23⅝	8¾	18⅞	10⅞	13¾	4	4½	....
Inter. Business Machines	190½	149¼	194	160	189	134	136	*6.00
Inter. Harvester	65⅝	34⅛	105½	56⅝	120	80	81	*2.50
Inter. Nickel	47¼	22¼	66⅜	43¼	73⅜	44	46¾	‡1.50
Inter. Tel. & Tel	14	5⅝	19¼	11⅛	15⅞	5¾	6¼	....
J								
Johns-Manville	99½	38½	152	88	155	84⅞	86¾	*3.00
K								
Kennecott Copper	30⅜	13¾	63⅜	28¼	69⅜	36⅜	38⅝	‡2.00
L								
Lambert	28½	21⅜	26¾	15⅞	24	15½	16	2.00
Lehman Corp	95¾	67⅛	123¾	89	43½	28¾	29	*1.00
Libbey-Owens-Ford	49¼	21½	80¼	47¼	79	47	49	‡3.00
Liggett & Myers Tob., B	122	93¾	116½	97¾	114	86	86½	*4.00
Loew's, Inc	55⅛	31¼	67⅛	43	87⅞	62¼	63¾	‡6.00
Lone Star Cement	36⅞	22⅞	61⅞	35½	75¼	34½	34¾	3.00
Lorillard	26½	18½	26½	21⅛	28⅝	17	17	1.20
M								
Mack Truck	30¾	18⅝	49¼	27⅜	62¼	25	25	1.00
Macy (R. H.)	57¼	30½	65¼	40⅛	58¼	34¼	34½	*2.00
Marshall Field	14¼	6¾	25⅛	11⅛	30⅞	13½	13⅝	....
Masonite, Corp	....	....	64½	44	74	31½	31½	*1.00
Mathieson Alkali	33⅞	23¾	42⅜	27½	41¾	26¼	26⅜	1.50
McIntyre Procupine	45⅝	33¾	49⅜	38⅛	42½	32¾	35¾	2.00
McKeesport Tin Plate	131	90½	118½	83½	42½	24½	24½	2.00
McKesson & Robbins	10¾	5⅞	14¾	8⅝	16¼	9¼	10⅜	....
Mesta Machine	42⅝	24⅛	65	40⅝	72¼	45	45	‡3.75

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935		1936		1937		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	10/13/37	Share
M								
Minn. Honeywell	....	....	112	65	120	75	75	3.00
Minn. Moline Power	7⅝	3⅞	12⅜	6½	16⅛	7⅛	7⅝	....
Monsanto Chemical	94¾	55	103	79	107½	85	88	‡1.50
Mont. Ward & Co	40⅞	21¾	68	35¾	69	39⅞	41¼	*2.00
Murray Corp	21⅜	4¾	22¾	14	20¾	6¾	7	....
N								
Nash Kelvinator	....	....	....	....	24⅝	12¼	13	....
National Biscuit	36⅜	22¼	38¾	28¾	33⅞	20⅝	21	1.60
National Cash Register	23½	13½	32⅝	21½	38⅞	21¼	21⅝	‡1.00
National Dairy Prod	22⅛	12⅞	28¼	21	26⅛	15⅞	16⅛	1.20
National Distillers	34½	23⅛	33⅜	25⅝	35	24¼	24¼	2.00
National Lead	....	....	36½	26⅜	44	28¾	30	.50
National Power & Light	14⅜	4⅞	14⅞	9⅝	14¾	6⅞	6⅞	.60
National Steel	83¾	40⅜	78	57¼	99¼	65	66½	*2.50
N. Y. Air Brake	36½	18½	83	32½	98½	39	41	‡1.50
Newport Industries	10⅞	4⅜	40	9	41¾	16½	17	‡2.00
North American	28	9	35½	23⅛	34⅞	17¼	18⅛	‡.90
North Amer. Aviation	7⅜	2	14¼	6⅝	17⅜	7	7⅛	....
O								
Ohio Oil	14¼	9¼	18	12⅛	22⅞	12⅛	12½	‡.50
Otis Steel	17⅝	4¼	20¾	12½	24⅜	10⅝	11	....
P								
Pacific Gas & Electric	31⅝	13⅛	41	30¾	38	25¼	25¼	2.00
Packard Motor Car	7½	3½	13⅜	6⅞	12⅜	5⅝	5¾	‡.25
Paramount Pictures	12	8	25	7⅛	28¾	13½	14⅜	....
Penney (J. C.)	84¾	57¼	112½	69	103¾	79¼	80	‡3.00
Phelps Dodge	28⅛	12¾	56¾	25⅝	59⅞	27⅛	29	‡1.25
Phillips Petroleum	40	13¾	52⅜	38⅛	64	43⅛	44	*2.00
Procter & Gamble	53¾	42⅜	56	40¼	65½	49½	50½	*2.00
Public Service of N. J.	46¾	20⅜	50½	39	52¾	35⅝	36⅛	2.60
Pullman	52⅞	29½	69⅞	36⅞	72⅛	31	31¼	1.50
Pure Oil	17	5⅞	24⅞	16	24⅜	11	12⅞	....
R								
Radio Corp. of America	13⅜	4	14¼	9¾	12¾	7¾	8¼	....
Radio-Keith-Orpheum	6	1¼	10⅞	5	10⅛	4⅛	4⅜	....
Remington-Rand	20¾	7	25	17½	29⅛	14½	15	‡1.05
Republic Steel	20¾	9	29⅞	16⅞	47¼	18¾	20⅛	....
Reynolds (R. J.) Tob. Cl. B	58⅝	43⅛	60½	50	58	45⅛	45⅞	3.00
S								
Safeway Stores	46	31⅝	49⅝	27	46	24⅞	25½	2.00
Schenley Distillers	56¼	22	55⅞	37¾	51¾	31½	32	3.00
Sears, Roebuck	69⅞	31	101½	59⅝	98⅝	65	67½	3.00
Shattuck (F. G.)	12⅞	7¼	19¾	11⅛	17⅝	9	9	.60
Shell Union Oil	16½	5½	28¼	14¾	34¾	15⅝	17¾	‡.50
Socony-Vacuum Corp	15¾	10⅝	17½	12½	23¼	15⅝	15⅞	‡.50
Spiegel, Inc	84	43⅞	114½	63	28¾	14	14¾	1.00
Standard Brands	19⅛	12½	18⅛	14⅜	16¼	9¾	9¾	.80
Standard Gas & Elec	9¼	1½	9⅞	5⅛	14⅜	3	4	....
Standard Oil of Calif	41⅛	27¾	47⅝	35	50	32¼	33¼	*1.00
Standard Oil of Ind	33⅜	23	48½	32¾	50	35½	36	*1.00
Standard Oil of N. J	52⅜	35¾	70⅜	51⅛	76	50	52¾	*1.00
Stewart-Warner	18⅞	6⅝	24½	16½	21	12	12	*.50
Stone & Webster	15⅛	2½	30½	14⅝	33⅝	10¾	11⅜	....
Studebaker	10¾	2¼	15⅞	9⅛	20	7	7⅛	....
Sun Oil	77	60½	91	70	77½	59	59	*1.00
T								
Texas Corp	30¼	16½	55¼	28⅞	65⅛	42½	44	2.00
Texas Gulf Sulphur	36¾	28¾	44¾	33	44	30	30½	*2.00
Texas Pacific Coal & Oil	9¼	3¼	15¼	7½	16⅝	9½	9⅞	.40
Tide Water Assoc. Oil	15⅞	7⅝	21¾	14¾	21⅝	14⅝	15	*1.00
Timken Detroit Axle	13⅛	4⅝	27⅞	12⅛	28⅞	15¼	15¾	‡.50
Timken Roller Bearing	72½	28⅜	74½	56	79	44	44½	*3.00
Twentieth Century-Fox	24⅞	13	38⅝	22½	40⅞	25¾	27¼	‡1.50
U								
Underwood-Elliott-Fisher	87¼	53¾	102⅜	74⅝	100⅛	62	62	‡3.25
Union Carbide & Carbon	75¾	44	105¼	71⅝	111	81¼	83	‡3.20
Union Oil of Cal	24	14¾	28½	20¾	28¼	20	20⅛	‡.85
United Aircraft	30⅜	9⅞	32⅜	20⅝	35⅛	19	21¾	‡.50
United Carbon	78	46	96¾	68	91	63	66	*4.00
United Corp	7¾	1½	9¼	5⅜	8½	3	3⅛	....
United Fruit	92¾	60½	87	66½	86¾	58¼	58⅜	3.00
United Gas Imp	18½	9¼	19½	14⅛	17	10¾	10¾	1.00
U. S. Gypsum	87	40½	125¼	80½	137	68	71	2.00
U. S. Industrial Alcohol	50⅝	35⅛	59	31¼	43⅝	20⅛	20½	....
U. S. Pipe & Fdy	22⅝	14¾	63⅞	21½	72¼	31	33	3.00
U. S. Rubber	17¼	9⅛	49⅜	16⅜	72⅜	30¼	32½	....
U. S. Smelting, Ref. & Mining	124½	91¾	103¾	72¼	105	68	68	‡8.00
U. S. Steel	50⅝	27½	79⅞	46⅜	126½	65⅛	69	....
U. S. Steel Pfd	119¼	73⅝	154¾	115½	150	115¼	115⅝	7.00
Utilities Pw. & Lt., A	4¼	1	7	3⅛	4⅞	1⅛	1⅛	....
V								
Vanadium	21¾	11¼	30⅝	16¼	39⅜	17½	18⅜	....
W								
Walworth Co	....	....	12⅜	5½	18¾	7⅝	8	....
Warner Brothers Pictures	10¾	2¼	18⅜	9¼	18	8⅛	8½	....
Western Union Tel	77¼	20⅝	96⅛	72½	83½	29	32	‡2¼
Westinghouse Air Brake	35¾	18	50⅞	34¾	57¾	25¼	25¼	1.00
Westinghouse Elec. & Mfg	98¾	32⅝	153½	94½	167⅝	104¼	106¼	‡3.00
Wilson & Co	9¼	3⅞	11	6⅝	12¼	5⅛	5⅞	.50
Woolworth	65¼	51	71	44¾	65⅜	39⅞	40½	2.40
Worthington Pump & Mach	25¼	11¾	36¾	23⅛	47	20¼	21	....
Y								
Yellow Tr. & Coach, B	9¼	2⅝	23¼	8¾	37⅜	11	11¾	....
Youngstown Sh. & Tube	47⅛	13	87¾	41¾	101⅞	46	48½	4.00
Z								
Zenith Radio	14¾	1¼	42⅜	11⅛	43¾	22½	24½	‡2.00

* Not including extras. ‡ Paid this year. ‡‡ Accumulated dividend paid or declared this year.
† Cash or stock.

Answers to Inquiries

(*Continued from page 46*)

any great increase in profit margins, but progress being made in the more profitable ice cream and cheese divisions and the generally favorable longer term prospects for volume sales suggests a gradual uptrend in earnings.

Youngstown Sheet & Tube Co.

I am holding 150 shares of Youngstown Sheet & Tube bought in 1935. I am of the opinion that it will participate in any improved demand for steel; however, I fear labor unrest and rising costs. Your information on the advisability of holding will be appreciated.—N. K., Washington, D. C.

In considering the position of Youngstown Sheet & Tube shares, we must arrive at one of two possible conclusions; either that drastic curtailment of Government construction, together with a prohibitive rise in wages and materials will reverse the strong uptrend in earning power of the steel companies; or that Government projects and privately financed enterprise will furnish the incentive for further increases in sales, and that control of operating costs and expenses will allow a fair profit margin. Barring developments which would alter the prospect, we incline to the last stated point of view, and find the shares attractively priced on a speculative basis at current levels. Share earnings justify current quotations. On the 1,384,700 shares of stock outstanding share earnings slightly over $7 were recorded in 1936. A net profit of about $6,900,000 was derived from operations in the first six months of 1937, up substantially over the $4,485,000 for the corresponding period in 1936, even though the first half of the later year included the period during which the strike occurred. Leverage in capital structure and in unit operating costs is an important consideration in this situation. An example of its importance is seen in a comparison of the 1935 and 1936 earning's report. Although the gain in sales in 1936 over the preceding year was only 42%, earnings increased six times. While earlier estimates of 1937 earnings may be revised downward to some extent,

we still feel that they will be quite sufficient to entitle the shares to a good market following so long as the outlook continues favorable and price levels for the shares reflect reasonable earning's estimates.

Westinghouse Electric & Mfg. Co.

Do you consider Westinghouse Electric a bargain now? What do you think of its near and long term possibilities? My broker tells me that it can point to the best first-half profits since 1929, this year.—A. L., Detroit, Mich.

Few enterprises are more sensitive to fundamental changes in public prosperity than are the electrical equipment companies, and of these probably Westinghouse is preferable purely as an index, because the nature of the company's capital structure is responsible for wider variation in per-share earnings. If therefore, one is able to find a basis for optimism in a survey of future prospects, then it follows almost inevitably that earnings of Westinghouse will continue strongly to trend upward and that the shares will continue to be in demand at rising price levels. It is not an unreasonable prospect, although not of course inevitable. If, therefore, you are willing to assume a degree of uncertainty and consequent risk, such an issue as Westinghouse offers an excellent speculative medium. Westinghouse is one of the oldest in its field, is soundly established in all branches, and is in a position to draw business from further revival in demand for its industrial apparatus, heavy generating equipment sales to the utility industry, and sales of electrical household appliances of all sorts. Westinghouse numbers among its production activities over 3,000 items, mechanical and electrical, and most certainly should be accorded an important place in the economic fabric over the entire nation.

Cerro de Pasco Copper Corp.

I have a substantial loss in 50 shares of Cerro de Pasco bought at around this year's high. I am wondering if it is advisable to continue holding this stock until it returns to former levels or whether a switch is indicated. What is your opinion?—D. M., Seattle, Wash.

The decline in copper prices in the world markets has naturally tended to depress the stock of Cerro de Pasco Copper Corp. We nevertheless do not feel that the shares should be sold here and anticipate that the issue will give a good account of itself in any sustained rally in the general list. Although copper prices currently are well below the high price established early this year, the average for the year as a whole should exceed that for 1936. In that year this company was able to report earnings equal to $3.38 a share, despite a sharp decline in silver quotations. The principal mines of the company are located in Peru, recoverable metals consisting, in addition to copper, of zinc, lead, silver and to a lesser extent gold. Metal reserves are extensive and operating costs low. Capitalization of the company consists of 1,122,840 shares of capital stock and with a strong financial position, dividend expectations appear excellent, despite the generally lower copper price structure now in evidence. We feel that the basic position of the industry justifies the expectation of a continued good demand at prices which will allow the subject organization to operate profitably.

U. S. Industrial Alcohol Co.

I am considerably disturbed by the recent weakness in U. S. Industrial Alcohol. Fortunately, I acquired my stock at prices well under present levels, so I am not inclined to sell this stock unless its trend is definitely changed. Please advise me.—D. F., Chicago, Ill.

Earnings record of U. S. Industrial Alcohol Co. over a period of years has been featured by sharp fluctuations, quite apart from business conditions generally. Thus, losses were shown in three of the past seven years, including the generally prosperous year 1936. Comparing results in the years in which profits were recorded with those for 1929 when per-share results of $12.63 on the common stock were recorded, we find that the best earnings that the company has since been able to record were equal to $4.04 a share in 1934. Volume business, on the other hand, has shown steady progress, the unsatisfactory earning's performance being traceable directly to the keen competitive situation existing in the solvents business and the consequent instability of the price structure. There is basis for the belief, however, that U. S. Industrial Alcohol Co. has now reached a point from which better results may be registered, although any improvement in net probably will be limited by the keen competition already referred to and still an important factor in the trade. Prices have improved recently and the company has reduced costs. In this connection the organization has spent some $2,000,000 over recent years in installing new and more efficient plant equipment, and considerable progress has been made in the introduction of a new anti-freeze known as Super-Pyro. The company has naturally had to spend sizable sums in advertising that product, but in the event of a cold winter this year, sales should enable the company to report a very worthwhile profit on this division. The product retails at $1 a gallon and has decided advantages over ordinary denatured alcohols. In the first half of the current year the company reported net income equal to 77 cents a share, against 23 cents for the like interval of 1936. Alcohol prices were advanced early in June and in the event that sale of anti-freeze products this winter measures up to expectations, results for the full year should be the best since 1935 when the equivalent of $2.16 a share was recorded. Financial condition of the organization is excellent. The company's investment in National Distillers Products Corp. stock, amounting at the close of 1936 to 113,000 shares, provides a degree of diversification to the U. S. Industrial Alcohol stockholder and this holding should continue to contribute liberally to earnings. Considering the indicated moderate change for the better in the company's earnings picture, we feel that the stock at present prices should be held.

Sears Roebuck & Co.

I am considering placing $1,700 of available funds in the common shares of some ably managed mail-order enterprise, now that agricultural income is so well restored. Would Sears Roebuck, for example, be a good timely buy? Or do you think present value fully reflects future possibilities?—A. G., Jacksonville, Fla.

The operations of Sears Roebuck & Co. are national in scope—including both the retail and mail order divisions. About 60% of the business is normally handled by the re-

THE NATIONAL CITY BANK
OF NEW YORK

Head Office · 55 WALL STREET · *New York*

Condensed Statement of Condition as of September 30, 1937

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS

Cash and Due from Banks and Bankers	$ 549,266,058.47
United States Government Obligations (Direct or Fully Guaranteed	447,508,653.22
State and Municipal Bonds	102,580,484.93
Other Bonds and Securities	138,473,876.50
Loans, Discounts and Bankers' Acceptances	686,474,187.06
Customers' Liability Account of Acceptances	20,053,443.78
Stock in Federal Reserve Bank	3,652,500.00
Ownership of International Banking Corporation	8,000,000.00
Bank Premises	50,768,667.99
Other Assets	4,739,896.44
Total	$2,011,517,768.39

LIABILITIES

Deposits		$1,812,046,913.79
Liability as Acceptor, Endorser or Maker on Acceptances and Bills	$57,361,767.52	
Less: Own Acceptances in Portfolio	12,836,095.11	44,525,672.41
Items in Transit with Branches		4,983,205.15
Reserves for:		
Unearned Discount and Other Unearned Income		4,922,853.44
Interest, Taxes, Other Accrued Expenses, etc.		7,056,747.43
Dividend		1,550,000.00
Capital	$77,500,000.00	
Surplus	44,250,000.00	
Undivided Profits	14,682,376.17	136,432,376.17
Total		$2,011,517,768.39

Figures of Foreign Branches are as of September 25, 1937.

Securities carried at $157,017,752.62 in the foregoing statement, consisting of $126,955,167.62 of United States Government Obligations, $18,226,660.11 of State and Municipal Bonds, and $11,835,924.89 of Other Bonds and Securities, are deposited to secure $137,813,650.07 of Public and Trust Deposits, and for other purposes required by law.

(Member Federal Deposit Insurance Corporation)

CITY BANK FARMERS TRUST COMPANY

Head Office · 22 WILLIAM STREET · *New York*

Condensed Statement of Condition as of September 30, 1937

ASSETS

Cash and Due from Banks	$ 29,594,087.85
United States Government Obligations (Direct or Fully Guaranteed)	35,379,199.23
State and Municipal Bonds	7,046,852.38
Other Bonds and Securities	15,118,417.85
Loans and Advances	7,355,710.95
Stock in Federal Reserve Bank	600,000.00
Bank Premises	4,316,021.25
Other Assets	2,336,349.73
Total	$101,746,639.24

LIABILITIES

Deposits	$ 75,094,538.70
Reserves	2,388,519.49
Capital	10,000,000.00
Surplus	10,000,000.00
Undivided Profits	4,263,581.05
Total	$101,746,639.24

Securities carried at $1,516,019.93 in the foregoing statement, consisting of $1,370,000.00 of U. S. Government Obligations and $146,019.93 of State and Municipal Bonds, are deposited with public authorities for purposes required by law.

(Member Federal Deposit Insurance Corporation)

tail division and the remaining 40% by the mail order outlets. Any expansion in the income of industrial labor and rural producers is readily reflected in the sales and earnings of the company. Over a period of years, the earning power of the organization has been impressive. Even during the lean years a deficit was incurred only in one year, that ended January 28, 1933. No dividends were paid in the fiscal years ended January 29, 1934 and 1935. Earnings for the twenty-four weeks ended July 16, 1937, were equivalent to $2.76 per share on 5,502,320 shares of capital stock compared with $2.60 a share on 4,859,968 shares in the like period a year previously. In the four weeks ended October 8, sales exceeded those of the corresponding period in 1936 by 8.7%. The management record of the company has been impressive and the current policies of emphasizing the department store type of outlet in preference to the chain store type and featuring private brands, which are less vulnerable to price maintenance requirements, are evidences of this ability. Sales volume is done largely on a cash basis, although about 20% is accounted for by installment sales on items such as refrigerators, furniture and farm implements. The working capital position of the company continues to be strong. In spite of increased inventories and receivables, no bank loans appeared on the balance sheet dated January 29, 1937, and the cash position had improved. A decrease in rate of growth of sales as well as an increase in expenses is indicated. In the trade, however, this company is among the leaders in good times as well as bad. Funds placed in the shares of an enterprise of this kind at prevailing levels should provide a fair income return as well as possibilities of appreciation under more favorable market conditions.

International Nickel Co. of Canada, Ltd.

In discussing the demand and price for copper with my broker, I was surprised to learn that International Nickel, which I had been watching, produced and sold three pounds of copper to every pound of nickel last year. Do you approve this contemplated purchase?—J. S., Baton Rouge, La.

In 1929 net income had reached a figure approximating $22,000,000. Last year the net income was over $36,800,000 — an outstanding achievement considering the depression years between.

Copper is a factor of importance without doubt, for while as you have noted, physical volume of copper sold about trebled that of nickel, the part of the net earnings attributable to copper sales is not in the same ratio. The company is unique in its control of approximately 85% of the nickel production of the world, and by virtue of that control the nickel market enjoys an exceptional price stability. Platinum and other precious metals while not of primary importance, are a profitable department of operation and are, like Nickel's other interests, enjoying an increase in demand. The company has rich ore reserves, no funded debt and a strong financial status. These three factors alone are of importance in permitting the company's shares to enjoy widespread popularity among discerning security buyers. Perhaps it need not be emphasized, but there are at this time, a large number of people interested in protecting their funds in so far as is reasonably possible, against dilution which would result from inflationary developments. They find, in Nickel, qualities that have a strong appeal. In view of these unusual qualifications, it is not surprising that, judged on the basis of earnings ratio to market price, the shares of this company command a premium. We think, however, that the premium is fully justified and that there is also justification for an optimistic attitude toward the issue. We would approve your program which involves acquisition of these shares at existing price levels.

Do Business Indexes Tell the Truth?

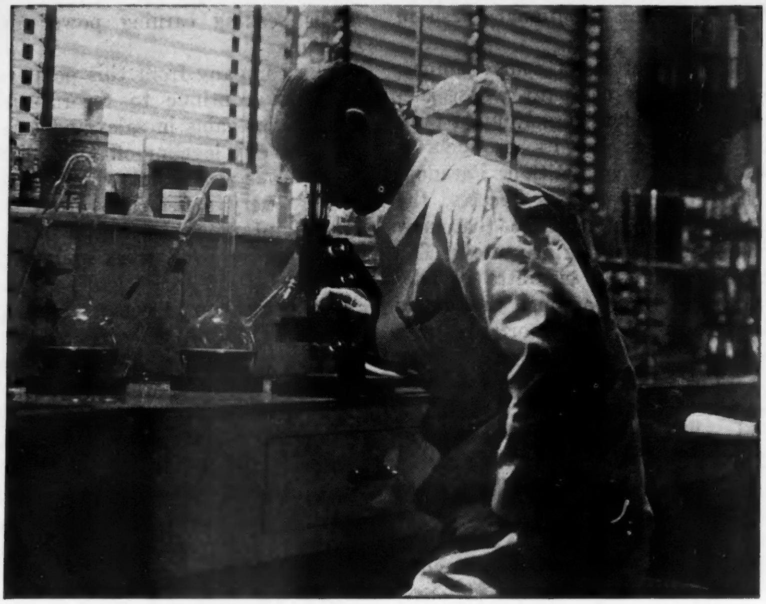
(*Continued from page 29*)

sented by the growth of the various non-manufacturing and non-agricultural activities. The business activity involved in the constant servicing of some 28,000,000 motor vehicles in regular use is certainly comparable to that involved in the yearly production of new automobiles, but does not find direct reflection in any production index. Neither railroad car loadings nor indexes of industrial production reflect the huge sum that the public spends annually in going to the movies or in other amusements and recreations, or what it spends in barber and beauty shops, restaurants, hotels, etc.

This is not a criticism of the business indexes. Accurate and frequent data that directly covers the service trades is simply not available. Nevertheless if an index is otherwise properly constructed it is probably safe to assume that it shows somewhat less economic progress than we have actually made from decade to decade. THE MAGAZINE OF WALL STREET index is a simple and fair compromise. It is adjusted for seasonal variation and population growth, and adjustment for price changes makes it tantamount to an index of the physical volume of production and trade. Inclusion of both check payments and money in circulation—each eliminated from some other indexes—gives considerable reflection of service activities that would not otherwise be represented adequately; and since all components in this index—the others being automobile production, bituminous coal production, steel ingot rate, electric power output, carl loadings, lumber shipments and cotton cloth production—are given the same weighting, the effect is to give more prominence to the all-inclusive indicator of check payments and money in circulation than is done in most indices which includes these two components or one of them.

As is obvious, fluctuations in steel production are much more extreme and erratic than fluctuations in the sum total of economic activity. Hence an index giving relatively heavy weight to this one component will rise and decline faster than one giving it less weight.

Any of the familiar business indexes is a useful tool for reference, but for full understanding of just what is shown the user should take care to inform himself of just what the index is *trying* to show. If he understands that the index is adjusted for seasonal variation, but not for population growth, he will realize why it is much higher than a per capita index. That is why the Reserve Board's index is usually some 15 or 17 points higher than that of THE MAGAZINE OF WALL



Courtesy Century Distilling Co.

Nothing Is As Constant As Change

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STREET. Full explanation of the manner of construction of any reliable business index would require an article in itself, but such explanations have been published at one time or another by most publications making use of indexes, and the careful student of business trends can easily obtain any needed information by writing for it.

Philip Morris

(*Continued from page* 37)

Earnings over the past four years have matched the gain in sales. For the fiscal year ended March 31, 1934, net income totaled $503,661. In the following fiscal period net income was tripled and amounted to $1,556,565; net for the year ended March 31, 1936, totaled $2,408,105; and for the year ended last March net income was $3,573,617, after payment of a $144,447 tax on undistributed profits.

Applied to the 519,151 shares of capital stock, representing the company's total capitalization, earnings in the most recent fiscal period were equal to $6.88 a share, comparing with $5.80 a share for a smaller number of shares in the 1936 fiscal year. The extent to which earnings have reflected the success of the Philip Morris brand may be gauged by comparison of recent earnings with those for the year ended March 31, 1933, when net was equal to $1.01 a share.

With sales running 50 per cent ahead of last year, the company may well earn upwards of $10 a share in the current fiscal year. Dividends in the last fiscal year totaled $5 a share and while the latest quarterly dividend was at the rate of 75 cents, it appears virtually certain that the total payments this year will amount to at least $7 a share.

All of which makes an industrial success story practically without a peer in recent years. In the mind of the wary investor, however, the question may logically arise as to how permanent the company's success may prove to be. Such a question might be evoked for no other reason than the almost uniformly spectacular nature of the highlights in the company's recent history, suggesting in turn the possibility that they may prove ultimately to have been the traditional "flash in the pan."

The answer is, of course, unpredictable. Any company whose success is dependent largely upon public preference for its products is vulnerable to competition. Paradoxically, the greater its success, the greater are the chances that new competition will be attracted. The life of a popular cigarette is indeterminate and among the lesser known brands the mortality rate has been pretty high. Ten or fifteen years ago there were brands which enjoyed a high degree of popularity, but which have since been withdrawn from the market, or rarely heard of today. Such brands as Hassan, Omar, Mecca, Sweet Caporal, Zira, Home Run, Murad and Lord Salisbury all had their heyday but are no longer among the best sellers. On the other hand, the four leading brands of cigarettes today have held their top ranking position for many years. Every so often the average smoker decides to change his brand, but when he does the chances are strong that he will switch to one of the other popular brands. As a result of this tendency and the varying effectiveness of advertising, sales figures of the leading manufacturers rise and fall accordingly but not sufficient to seriously disturb their relative standing in the industry. Meanwhile cigarette consumption as a whole continues to make new high records.

Not only must Philip Morris contend with the four leading brands but in its own field, a new brand Pall Mall, sponsored by the American Tobacco Co., is making a fairly strong bid for the favor of the smoking public.

Like Philip Morris, this new brand is priced at 15 cents. It is a mild cigarette and it is also capitalizing on the fame of an old name formerly identified with an expensive cigarette. It is too soon, however, to gauge the effects of this new brand upon the sales of Philip Morris.

Accepting the facts of Philip Morris' record for what they are—evidence of an aggressive and skillful management, sound merchandising technique and a popular product, combined to produce excellent financial results—one can only conclude that on this basis the investor for less than $80 a share is getting pretty good value for his money, if he is seeking earning power and income.

The company from this point on may not continue to record such spectacular gains in sales and earnings but any leveling-off seems likely to occur at a point which would still be very satisfactory from the standpoint of the common stockholder. Moreover, sales and earnings are likely to be less sensitive to any recession in general business than in the case of companies not favored by the high degree of consumer stability characteristic of a popular cigarette. Although the Philip Morris brand has been the major factor in the company's recent success, the company is not entirely dependent upon this single product. Other cigarette brands include Marlboro, English Ovals, Paul Jones and Time, the latter a mentholated cigarette. Also included are several popular brands of smoking tobacco such as Revelation and Barking Dog and sales of a new brand, Bond Street, have been showing encouraging gains.

All in all, therefore, the shares of Philip Morris appear to embody those elements which should appeal to the more conservative purchaser of common stocks at this time.

Columbian Carbon Co.

(*Continued from page* 41)

Hence, should there be a dwindling activity in tires, in the demand for printing inks and in the demand for paints, varnishes, and the like, one cannot logically expect continuing gains. Not that a *serious* business recession is expected—we merely make the point that a company whose output finds its way into so many different fields must rise and fall with the general level of industrial activity. On the other hand, there are valid reasons for believing that carbon black is a product still in the stage of dynamic growth and that this will cushion the effect of declines in business as a whole and have a tendency to make for new high records during a time of recovery. Certainly Columbian Carbon's record during the past depression and during the subsequent recovery movement bears this out.

BOOKS . . . . . .

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This compact little book will be of infinite use to every owner of stocks and bonds. Its purpose is to explain clearly and concisely how to read balance sheets and income accounts and so enable you to form your own judgment of a security. The authors have had a great deal of practical experience in investment firms and also in instructing courses in security analysis at the New York Stock Exchange Institute. Particularly useful for the non-professional investor is the glossary of nearly 300 definitions of generally used financial terms, which makes up one-third of the book.

The first section discusses separately each item on the financial statement and gives typical income accounts of public utility, industrial, and railroad companies, and the second shows how to use tables of ratios and gives a detailed example of this method. This is one book that should be on everyone's shelf.

THE ROMANCE OF REALITY

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Why do we have impoverishment in the midst of plenty, and what can we do about it? These are the questions answered by Mr. Read in his new and extremely interesting book. As manager of the Western Division of the U. S. Chamber of Commerce, he has had ample opportunity to observe and study this most important problem of our modern life.

The author discusses analytically a whole series of our behaviors and practices as they relate to the creation or destruction of a wider spread wealth. More distribution of income, he holds, will remove the barrier between our unlimited natural resources and labor resources. He envisages the great mass market now lacking the purchasing power to enjoy our national wealth. It is a book worth serious consideration by all businessmen and economists.

AMERICA FACES ITS GREATEST BUSINESS DEPRESSION

William J. Baxter **$1.50**

Although this book may seem a little too hopeless and pessimistic, in view of the general theory that we are recovering from our greatest depression and should be on our way to prosperity again, it presents many alarming facts that will cause you to stop and think.

To a world still gullible enough to believe that government officials can successfully control markets and business, it shows that rapidly moving world forces, far beyond their control, govern the present situation. For the investor, industrialist and financial executive, it tells how this nation, prepared for an inflation boom, has made American business so vulnerable that it now faces the most serious crisis in its history, with widespread commercial failures inevitable.

EASY MONEY

Lionel D. Edie **$2.00**

Although the author of this book was one of the first, in the early thirties, to advocate an easy money policy to relieve debtors, he now warns us that this policy carried to extreme is bound to bring great disaster. If the state has the power to perpetuate easy money, then the old fashioned weapons for curbing a boom are no longer available. Both the gold standard and an advance of discount rate have been discarded and the financial world is at a loss to know what substitutes can be used. Either the government will be unable to prevent tight money, in which case the public will suffer tremendous losses on bonds, or it will restrain it too long. In the latter case there is danger that a boom will get out of bounds, and private finance will be blamed for the consequences. The reader is given signals which must be watched and studied during the coming years to guide his course of action in order to protect himself.

WORLD FINANCE 1935-1937

Paul Einzig **$3.00**

Following his earlier survey of the world's financial evolution from the beginning of the World War to the spring of 1935, Dr. Einzig here discusses the crucial years of 1935 and 1936. Using the example of France's bitter experience during that period, he warns of similar disaster in other governments and deplores the lack of intelligence of governments who keep on repeating their same mistakes over again. Dr. Einzig, who is foreign editor of The Financial News and The Banker, relates how one after the other, the governments have attempted to encourage confidence in its businessmen by stabilizing its currency. The next step that followed was the adoption of cheap money to stimulate trade. And finally came the policy of rearmament, which, from the economic point of view constitutes utter waste, and paves the way for drastic devaluation.

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BOOK SERVICE DEPARTMENT Oct. 23
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NAME ....

STREET ....

CITY .... STATE...............

The dynamic aspects of carbon black are in large measure the dynamic aspects of rubber. Rubber is being used increasingly here, there and everywhere—in the home, in the factory, on the water and in the air. Not that carbon black enters into all rubber, but it adds toughness to enough of it to be counted a full participant in rubber's rapidly widening sphere of usefulness.

The printing trades constitute another dynamic source of demand for carbon black. Whatever the reason may be, it is easily established that the emission of printed matter definitely trends upwards. Books and pamphlets are put out in an ever-increasing deluge. Magazines are becoming bigger and better. Newspapers grow bloated with advertisements, sandwiched between which it becomes more difficult every day to find the news for which the paper was bought primarily. Whether there is economic justification for cutting down forests to make the paper for some of today's printed matter is not under discussion here —it is only that the more printing there is, the more business there is for a producer of carbon black.

That the Columbian Carbon Co. intends to do what it can to stimulate the use of its products is evident from the company's research activities. The last annual report pointed out that a new research laboratory would be completed shortly in Brooklyn, New York. This is in addition to field laboratories in Louisiana and Texas, laboratory and research facilities for iron oxides at Trenton, New Jersey, laboratory and research facilities for printing inks at Philadelphia, and the maintenance of a research fellowship for carbon black and printing ink at the Mellon Institute in Pittsburgh. All this lends considerable assurance that the company will be well able to hold its own in the field.

There is one final point: the possibility of growth in a business is, of course, very desirable, but it often happens that it can only be found in a company which is subject also to the possibility of a drastic decline in business. Although the long-term trend of Columbian Carbon's sales of natural gas points decidedly upwards, this phase of the business lends considerable stability to the hazards of carbon black production. If, therefore, we should be wrong and there *should* develop a more-or-less serious recession in trade and industry, the company is one which should tend to resist it.

What Is Washington Going to Do About It?

(Continued from page 12)

nomic realities. It would be easy to name, off hand, a dozen such whose counsel would be valuable at Washington and whose status would command public respect—but the President disdains counsel from the business and financial world; and these is every indication that he and a small coterie of inexperienced zealots will continue to call the tune and crack the whip. The possibilities of co-operation are not even explored. Coercion and threat remain the weapons.

What did Mr. Roosevelt offer in his latest fireside speech? No word of badly needed tax revision. No reference to the most serious slump in stock and commodity prices since the 1929 crash. No mention of sagging business volume and profits. No recognition of the demonstrated fact that too fast raising of industrial wages—under union pressure with Administration support—has contributed to checking recovery, since such increases have not been accompanied by equivalent gain in productive efficiency and hence have had to be passed along to the consumer in the form of higher prices.

Instead, he proposed more curbs, more restraints, more reforms. We must put pressure on prices by tightening the anti-trust laws; we must raise wages among the lowest-paid workers and shorten hours by legislative fiat. This was followed immediately by joyous war whoops from the clever young men of the current "Brain Trust." They are going to show business men where to get off! They hint of "drastic proposals" under discussion to force down prices of automobiles, building materials, etc. One stated that the "price situation" could be dealt with through use of the Federal taxing power. Another opined that what we need is Federal "yardsticks" for manufacturing industry as well as for the utilities!

If high wages and short hours in industry and high farm income constituted the whole secret of a sound prosperity, we should be having it now. The purchasing power of payrolls in manufacturing industry was back to the boom level in August and farm purchasing power is equal to that of 1929—but the national income and the production of durable wealth remain in a depression zone. New capital financing is stagnant, a huge volume of bank deposits lies idle and vast investment funds seek refuge in tax-exempt bonds.

Well, what can the Government do to halt the deflation and get recovery going again? There are many things it *could* do. It could substantially modify the capital gains tax and the undistributed profits tax. It could revise the entire lop-sided Federal tax structure, placing chief reliance on a simple graduated income tax both corporate and personal, and with a much increased number of individuals paying some tax. It could balance the budget by reducing emergency expenditures and subsidies. It could acknowledge that the test of drastic reaction in the stock market suggests that the various Federal curbs placed upon it may be less than perfect, and that revision of these rules and regulations will be promptly taken under earnest consideration. It could concede that the Wagner Labor Act has proved too one-sided to serve its purpose of reducing industrial strife, that revision of it is in order and that in simple justice to industry and the consumer reasonable legal curbs should be placed on labor unions. It could recognize that in over-zealously guarding against over-speculation it has gone to the extreme of bringing about an under-speculation equally incompatible with the needs of a capitalist system.

Much more important than any of these, however, is the question of the *direction* that Roosevelt is taking, and the related question of whether Congress will "go along." It was the assumption of the business and financial world—and probably of a majority of the public—that hasty and large scale intervention by the Government in 1933 and 1934 was an emergency matter; and that eventually emergency Federal activities would be curtailed as recovery was established. Indeed, this

was the cardinal theory upon which New Deal "pump-priming" and debt expansion was based. Federal credit was to be used as a compensating balance wheel.

The cold fact is that after nearly five years of "Government-plan-everything" the transition to private initiative is yet to be accomplished, the Administration remains determined to make all the rules of the game and to change them at will or whim—and we muddle along in a fog of dense uncertainty. It could not be otherwise, for under the present order of things we have neither a free capitalistic system nor socialism, but a hybrid and changing mixture of both.

It is a safe bet that the Administration will make no fundamental choice any time soon. It will compromise here and there. It will certainly try some more "shots in the arm." The American economy is still by far the strongest in the world and it will take more folly than we have yet seen to strangle it. Reaction will end, and there will probably be more expansion in progress by the middle of 1938—but when it comes there will remain some big question marks tagged on it. We—and the world—have been topsy-turvy since 1914. Old landmarks are gone, our road is outlined on no map and the yearned-for goal of "normalcy" and stability is far out of sight. The politicians have the ball and will continue to call the plays—unless and until a majority of voters sees really big yardage being lost. That also is not now in sight.

Outlook for Leading Industries

(*Continued from page 21*)

any temporary industrial recession is also a factor to be taken into consideration in appraising probable levels for retail trade in coming months. Nevertheless, the relatively well sustained mass purchasing power indicated at present should enable merchandising companies to achieve a normal seasonal improvement in sales volume and earnings in the last three months. Mail order companies and chain stores and department stores with important outlets in farm sections are logically to be classified among the direct beneficiaries of the enlarged farm purchasing power, and consequently would appear to be relatively more attractive for investment purposes at present than the food chains, with their inherent limitations of physical volume expansion and the retail concerns specializing in higher priced quality merchandise.

The trend for steady expansion in liquor and tobacco sales during recent years would not be expected to be checked by a temporary business set-back during the next six months. The earnings position of tobacco companies is somewhat compromised, however, by the increased costs and heavier tax burden to be carried on already slim margins of profit. Lower prices on this year's tobacco crop would relieve the cost problem of the manufacturers only slightly, since raw material costs are averaged from year to year. The foregoing does not apply to snuff manufacturers nor to those companies which have improved their competitive positions in the face of these circumstances. The investment potentialities of the liquor companies, however, are enhanced by the better inventory position of the industry in regard to aged whiskey stocks and the fact that the extensive program of building up stocks of aged whiskey, which has restricted earnings since Repeal, is now being rounded out by the larger concerns. This has been reflected in recent betterment in the statistical position of the industry. Looking ahead into the early part of next year, earnings should then be augmented by the availability of the stocks of bottled-in-bond age. Heretofore, the supply of such grades has been sufficient to keep the leading brands of such quality in distributive channels only nominally. In the meantime, the seasonal factor is favorable for the liquor shares between now and the end of the year.

The motion picture business is reported to have entered the current season from 5 to 20 per cent ahead of last year in the larger cities where data attendance and box office receipts is available. In spite of uncertainties in other lines through the balance of the fall and winter, motion picture exhibitors and producers are expected to carry most of such gains through the season. Furthermore, admission prices have been increased both by the large chains as well as by independent exhibitors in many sections. The larger revenues from theatre operation and from film rentals more than offset higher production costs. Foreign film rentals are reported to have been well sustained and this revenue, which normally represents from 25 to 30 per cent of total film rentals, is immune from any purely domestic business set-back in prospect. With the trend of earnings likely to continue upward in coming months, equities of the representative picture companies would have a logical inclusion in current investment selections.

In the chemical industry, operations conform so closely to the prevailing rate of general industrial activity that it is a reasonable assumption to expect the next six months' operations in chemical plants to recede somewhat less than heavier manufacturing industries and somewhat more than activity in the consumers goods industries. Purely from the standpoint of overall demand for chemical products, therefore, the outlook over the winter months is no better than average. Variations in profit trends are less marked than in manuacturing industries, however, and labor costs, which loom as an important element in the general business outlook, are relatively unimportant in the determination of production costs in the chemical industry. Since at least an average slackening appears to be already discounted by chemicals and since the industry holds well defined possibilities of future expansion without dependence upon a general industrial boom, the better situated chemical shares have a place in conservative investment programs under present conditions.

The manufacturing division of the aviation industry appears to hold outstanding possibilities at the present time, with business currently at record levels and prospects for the next six months favorable for further gains irrespective of the trend of general business conditions. With the third quarter of 1937 showing an increase of close to 100 per cent over 1936 in the value of output, and large forward business already booked or in prospect, the only question not yet fully clarified is what proportion of the larger volume can be carried into profits ac-

counts. The large demands on productive capacity has resulted in considerable plant expansion, with the result that capital costs are increased and normal operations have been interrupted to an extent that has impaired operating efficiency. Labor costs, while high, particularly on the West Coast where many of the important plants are located, should be more readily absorbed when operating schedules are brought to the level of greatest efficiency, and plant expansion is completed. Thus while the leading aircraft and equipment manufacturers lack the seasoned earning power usually associated with strictly investment mediums, the securities in this group have good prospects for recovery in values in relation to more stable industries.

The air transport division of the industry, on the other hand, appears to have an uncertain period immediately ahead, notwithstanding recent growth of air travel. The uually severe drop in passenger traffic during winter months heretofore resulted in losses that have offset the peak months. Weather conditions this winter as well as general business prospects introduce an important element of uncertainty in the near term outlook in this respect. In current security selections, therefore, representation in aviation might well be confined to the manufacturing branch of the industry.

In summary of the conclusions presented above, the best investment potentialities over the balance of the year and the early part of 1938 appear to be found in industries in a position to benefit directly from mass purchasing power, particularly the purchasing power of the agricultural regions. More specifically, this would embrace farm machinery, mail order and other merchandising companies with important outlets in farm communities, and to a lesser extent, producers of light household equipment, auto manufacturers (and accessory companies). Industries regarded as having favorable potentialities because of special trade factors or seasonal considerations include motion pictures, liquor producers, container and food manufacturers not including meat packing or food retailers, and aircraft manufacturers (but not air transport companies). Industries also accorded a favorable opinion, but with qualification as to special factors, include the steels and nonferrous metals, and chemicals. Among the major security groups which are not well regarded for investment consideration on current prospects, or in which commitments might well be postponed pending clarification of near term uncertainties, include the rails and rail equipments, the utilities, both holding and operating companies, building shares, with the exception of paint manufacturers, and petroleum.

Your Taxes in 1938

(*Continued from page 23*)

lief has become quite general that the manner in which our tax laws treat capital gains and losses has severely disturbed, and if continued in the present form must continue to disturb, our security markets. It is contended that revenue from this source would be more certain, more stable and even greater in amount, if capital gains and losses were eliminated from tax calculation.

Congress is bound to give this very important phase of our tax laws its serious consideration, particularly in the light of the recent debacle in our security markets. But no one expects that the capital gains tax will be completely eliminated. The likelihood rather is, that Congress will return to the plan followed some years ago, under which such transactions were segregated from other income, and taxed at a fixed maximum rate of 12½ per cent, with excess of capital losses credited against tax due on other income at a similar tax rate. Under such an arrangement, the present $2,000 loss limitation would be repealed. In addition, taxpayers may be permitted to report security gains and losses on an accrual basis. This would enable them, if they wanted to, to report gain or loss each year based on market value at the close of the year instead of having to report the entire gain or loss when the securities are finally disposed of.

One of the more important so-called "loopholes" developed by the congressional tax investigation last summer, had to do with the allowance of percentage depletion to mining, oil and other natural resource companies. It was shown, for instance, that such companies often find it possible to take depletion deductions over and above their investment in the depletable assets,

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1937 Price Range High	Low	Recent Price
Alum. Co. of Amer.	177½	95	98½
Amer. Cyanamid B (*.60)	37	25⅛	27½
Amer. Gas & Elec. (1.40)	48¾	22½	25
Amer. Lt. & Tr. (*1.20)	26⅛	14	14
Amer. Superpower	3	1	1
Assoc. Gas & Elec. "A"	5⅛	1⅛	1¼
Carrier Corp.	67½	30	32
Cities Service	5⅜	2	2
Cities Service Pfd.	60	21	21¾
Colum. Oil & Gas	10⅞	3½	4⅛
Commonwealth Edison (1.25)	33	24	25⅜
Consol. Copper	11⅝	5⅛	5⅛
Consol. Gas Balt. (3.60)	89⅛	64	67
Creole Petroleum (†.50)	38¾	22	22
Eagle Picher Lead (‡.30)	27⅞	10¼	11⅛
Elec. Bond & Share	28⅛	8⅞	8⅞
Elec. Bond & Share Pfd. (6)	87½	53¼	54⅝
Ex-Cell-O Corp. (‡.60)	27⅝	10	10¼
Ford Mot. of Can. "A" (1)	29¾	17⅜	17½
Glen Alden Coal (‡.25)	15	6½	6½
Gulf Oil of Pa. (‡.75)	63½	41½	42¼
Hecla Mining (‡.70)	25⅛	9⅝	9⅝
Hudson Bay M. & S. (‡.75)	42	20¼	21⅛
Humble Oil (‡1.37½)	87	64½	65⅝
Imperial Oil (*.50)	24¼	18⅛	18¼
Jones & Laughlin	126¼	44	44
Lake Shore Mines (*4)	59½	46	46¾
Lockhead Air	16¼	8	8⅜
Molybdenum	11⅜	5¾	6⅜
National Belles Hess	3½	1⅛	1⅛
National Refining (2)	28	19¾	19¾
New Jersey Zinc (*2)	94⅞	66¼	68
Newmont Mining (‡2.25)	135¾	60	63½
Niagara Hudson Power	16⅞	7⅝	8⅛
No. Amer. Rayon "B" (‡2)	50¾	26	27½
Pan-Amer. Airways (‡.25)	26¼	20	20
Pantepec Oil	9⅝	4⅝	4⅝
Pennroad Corp. (‡.25)	5⅜	2¾	2⅞
Pepperel Mfg. (*6)	151	81	82¼
Pitts. Pl. Glass (‡5.50)	147½	94½	94½
St. Regis Paper	11¾	3⅝	3¾
Sherwin-Williams (*4)	154¾	85	86
South Penn Oil (*1.50)	56	39	39
Technicolor (‡.50)	34	18⅝	21
United Gas Corp.	13⅝	4½	4⅝
United Lt. & Pw. "A"	11⅜	3	3
United Lt. & Pwr. Pfd	75⅞	22	23¼

‡ Paid this year.

* Not including extras.

and that in any event, they receive much too liberal treatment as compared with taxpayers in other industries. The likelihood is, therefore, that depletion allowances under any new legislation, will be considerably tightened up. The change was not made in the 1937 Revenue Act because the subject is a complicated one and required much more extended study.

What about tax exempt securities? This has been referred to as the most extensive as well as the most respectable tax loophole in our federal tax system. Is Congress likely to do anything about it? It probably would if it could, but it was always taken for granted that nothing can be accomplished in this regard without a constitutional amendment. Whether under the new Supreme Court atmosphere, it will conclude that legislation might be risked without such an amendment is difficult to say.

Finally, the real step-child of our federal tax laws is likely to continue to be the holding company; particularly the personal holding company. These, in the past few years, have literally been hounded to death by taxation. In many cases, by the time income trickles through from the bottom company to the top stockholder, the income is almost completely eaten up by taxes. Wherever possible, such companies have already been wound up. Soon, the holding company will be as extinct as the dinosaur.

Happening in Washington

(*Continued from page* 17)

low cost housing through private finance before government completely preempts the field.

Federal Reserve rediscount rules are viewed askance by orthodox banking theorists who say they will: open reserve system to "cats and dogs" of doubtful commercial paper; engender dangerous inflation of bank credit which will be hard to curb; revive loose banking practices of the '20's by giving bankers too great reliance on liquidity through rediscounting. But real estate and installment credit men rejoice and New Deal economists scoff at fears.

Pulse-feelers returning from parts of the country not touched by President Roosevelt as well as the sections he covered got the same impression the President did, i.e., majority of voters are strongly for Roosevelt, approve his objectives, not much concerned with methods; they will tolerate some opposition to the President's methods by their local representatives provided he is not bucked generally. And individual dissatisfaction with some parts of New Deal is outweighed by enthusiasm for the rest.

High Grade Bonds for Current Investment

(*Continued from page* 31)

has been able to refund various issues of high coupon bonds on a basis resulting in an important savings in interest charges. Notwithstanding the sizable rate reductions placed into effect by Pacific Gas, gross revenues gained nearly 4 per cent in the twelve months period to June 30, last, and fixed charges were earned 2.94 times as compared with 2.47 times in the corresponding period last year. While the combination of rising costs and lower rates will exert a retarding effect upon the growth of net earnings, the continued ability of the company to provide a comfortable margin of coverage for fixed charges cannot be doubted. Nor has Pacific Gas & Electric anything to fear from enforcement of the Public Utility Act of 1935 inasmuch as its properties comprise a completely interconnected system operating solely within the confines of the State of California. Also quoted below par and affording a yield of better than 3½% the 3½'s 1966 are fully entitled to the confidence of the conservative investor.

Attesting the company's conservative financial policies and its strongly fortified financial position, the ability of **Standard Oil Co.** (N. J.) to finance itself with an issue of 3% debentures is noteworthy. For an oil company to arrange financing on such attractive terms, without any "sweetening" in the form of a convertible feature or stock purchase privilege is unusual. Moreover the funds which the company derived from the sale of $85,000,000 3% debentures due 1961 were applied toward the redemption of an issue of 5% preferred stock at 110. For some time now Standard Oil of N. J. has been engaged in simplifying its capital structure, reduction of subsidiary stock and indebtedness, and refunding and payment of both long and short term obligations. Since 1932 funded and long term debt has been reduced from $207,245,000 to $84,574,000 at the end of last year, accompanied by a reduction in service charges of about 70 per cent. Despite this heavy reduction in capital obligations, working capital last year of $432,238,000 was only $15,000,000 less than in 1932. During 1936 $45,000,000 in bank loans were paid off. Last year with the benefit of increased sales and more stable conditions in the oil industry, the company's earnings were the best in seven years and some 55 per cent better than in 1935. Total fixed charges were earned nearly twelve times, comparing with better than seven times in the preceding year. Cash alone at the end of the last year amounted to nearly $135,000,000 as compared with total funded debt of $84,573,564 represented by the issue under discussion. As an obligation of the largest integrated oil unit in the world, even though lacking in specific security, the company's 3% debentures rank with the soundest investments available.

Opportunities in Three Price Ranges

(*Continued from page* 35)

year were 8½ per cent above those of the corresponding previous period. August sales were but 2 per cent above those of August, 1936, but sales in September were more than 10 per cent better than those of the previous September. This is a favorable augury for the fall months.

The most recent earnings statement published by the J. C. Penney Co. was for the first six months of the present year. The net profit of $7,182,571, after depreciation, federal income taxes and other charges was equivalent to $2.82 a share on 2,543,984 shares of no-par common stock which compared favorably

with the $2.71 reported on a somewhat smaller number of shares for the first six months of 1936. For the full year 1936, J. C. Penney's earnings were equal to $7.36 a share of common. Whether or not 1937 will prove to be the better year must await upon developments, but there are certainly grounds for believing that such will prove to be the case.

J. C. Penney's dividend policy has long been a liberal one. The extra of $3.75 a share which was paid last December brought the year's dividends to $7.25 a share. So far this year three quarterly dividends of $1 have been paid. In addition to the quarterly dividend of $1 which is due in December, another extra is to be expected which will probably bring payments for the year again close to earnings. Whatever the actual amount of the extra, it will almost certainly bring the return on a $75 stock to a high level for this era of easy money rates. J. S. Penney offers this high return on the capital invested in addition to possibilities of moderate price enhancement.

United States Steel Corp.

Nothing has developed as yet which justifies the decline that has taken place in "Big Steel." From a high of $126 a share it has dropped to less than half this figure. It is true that steel operations have fallen off and that there has been a curtailment of buying for heavy projects. Even so, "steel" sold at $67½ a share during the summer of 1933 when it had no earning power, no nearby prospects of earning power and at a time when the organization was neither physically nor managerially the organization it is now. During the recent break "Steel" sold lower than this, apparently without regard for the modernization and expansion which has been carried out, without regard for the large earnings which unquestionably will be reported for the present year, and without any consideration for the fact that accumulated dividends on the preferred stock have been eliminated entirely and that the common itself is in line for a dividend. Unless one concedes that we are about to enter another major depression—of which there is as yet no real evidence—it ought to be possible before very long to dispose of the stock of the United States Steel Corp. materially above the price at which it can be bought today.

For the first six months of the present year the corporation reported a net profit of $64,735,215. This, after preferred dividend requirements was equivalent to $5.99 a share of common stock, compared with earnings equivalent to only 41 cents a share of common in the corresponding previous period. Despite the probability that the second half will be considerably poorer than the first from an earnings standpoint there is still reason to believe that not far from $10 a share will be reported for the full year. Because of the necessities of the business and the current state of the security markets which makes it extremely hard to sell new issues at a reasonable price, it is impossible to forecast the dividend that holders of U. S. Steel common might fairly expect. However, that they will receive something seems certain.

International Harvester Co.

The dominant position held by International Harvester as the leading manufacturer of farm equipment and agricultural supplies places the company in a prime position to participate in the restoration of farm prosperity. Bumper crops and the promise that farmers will have the largest cash income since 1929 would appear to clearly substantiate the prospect of enlarged demand for agricultural implements. While it is true that wheat, corn and cotton prices have declined, the drop has not been great enough to seriously affect the offset of larger crops. Higher prices will be received for hogs and cattle; dairy products will average higher prices than last year and tobacco and vegetable crops will be normal. Moreover, the prices which the farmer will receive have increased faster than prices of goods and commodities which the farmer buys, to the net advantage of his purchasing power.

Report of International Harvester Co. for the fiscal year ended October 31st is confidently expected to reveal earnings larger than in 1929. In the latter year, net after preferred dividends was equal to $7.11 per share on the common stock. Earnings for the current fiscal period should be around $7.25 per share. Including a recent extra of $1.50 a share, dividends on the common total $4.00 for the current fiscal period. A large part of the company's working capital is in the form of receivables and

Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

	Bid	Asked
American Book Co. (4)	51	57
American Hardware (1)	24	25¼
Columbia Baking	4	6
Crowell Publishing Co. (3)	35	38
Dictaphone Corp. (4)	53	56
Draper Corp. (*5.40)	55	60
Mercke Co. (1)	27½	29½
National Casket (4)	48	50
Ohio Leather (†.85)	15	20
Scovil Mfg. (2)	31½	33½
Singer Mfg. Co. (*16)	247	255
Trico Products (2.50)	39	40½
Wilcox & Gibbs (.50)	20	23½
PUBLIC UTILITIES		
Alabama Power Pfd. (7)	67	68
Carolina Power & Light Pfd. (7)	79½	81½
Central Maine Power Pfd. (7)	83½	85¼
Dallas Power & Light Pfd. (7)	113	115
Jersey Central Pwr. & Lt. Pfd. (7)	87	89
Kansas Gas & Electric Pfd. (7)	108	111
Kings Co. Ltg. Pfd. (7)	47	50

PUBLIC UTILITIES (Continued)	Bid	Asked
Long Island Ltg. Pfd. (7) "A"	67	69
Metropolitan States Pwr. Pfd. (6)	26	29
Nebraska Power Pfd. (7)	107	109
New Orleans Public Serv. Pfd.	46½	48
Nor. States Pwr. Pfd. (7)	69	72
Pacific Power & Light Pfd. (7)	59	62
Tennessee Elec. Power Pfd. (6)	44	45¾
Tennessee Elec. Power Pfd. (7)	50	53
Texas Power & Light Pfd. (7)	99	100¾
Virginia Rwy. (8.50)	145	151
TELEPHONE & TELEGRAPH		
American Dist. Tel., N. J. (5)	93	97
Emp. & Bay State (4)	57	61
Inter Ocean (6)	87	....
Mountain States Tel. & Tel. (8)	133	135
N. Y. Mutual (1.50)	20	25
Peninsular Telephone (1.60)	21½	26½
Southern New England Tel. (8)	154	156½

* Includes extras.

† Paid this year

for this reason the management is more or less compelled to be guided accordingly in the matter of dividends. Last year, Harvester retained $13,500,000 out of earnings, on which it paid a surplus profits tax of $2,000,000.

Notwithstanding the exceptionally favorable industrial prospect which the company faces, the shares of International Harvester have declined to a point where prevailing quotations around 77 appear decidedly lower than warranted either by recent or prospective earnings. There is little likelihood of a severe slump in the company's business next year, particularly as the farmer seems likely to continue to be the favored recipient of the Government's bounty and further, the company, as the third largest manufacturer of automobile trucks can doubtless count upon substantial contributions to earnings from that source. On the whole, therefore, the shares would seem to combine investment appeal with generally well defined possibilities for longer term price appreciation.

The Biggest Industries in America

(*Continued from page* 15)

tion classification largely speak for themselves. In communications it might be noted, however, telephone service accounted for $1,015,706,000. The service establishments group includes those enterprises engaged in performing personal and business services, repairs and custom work, but does not include banks and other financial institutions, insurance companies and real estate agencies. Typical of this group are barbers, beauty parlors and photographic studios; advertising agencies and delivery services; automobile repairs and plumbing repairs; cabinet making; also printing and publishing.

The amusement groups covers all types of public amusement for which a charge is made, but of the total receipts nearly 73 per cent was contributed by the motion picture theaters.

The business of producing motion pictures, however, is not to be rated among the leaders. While no value can be assigned to the current output of motion pictures, as the ultimate value will be determined by the success of the release, the total cost of pictures produced in 1935 was about $188,500,000.

In the Extractive Industries classification, it is interesting to compare the value of crude oil produced with the sales value of refined petroleum products, as well as with the sales of filling stations. The value of metallic products contributed $721,600,000 to the mining group; non-metallic products, such as asphalt, sand, clay, cement and gypsum, amounted to approximately $553,000,000; while the mineral fuels such as coal accounted for the sum of $2,937,000,000.

The Foreigner Buys and Sells America

(*Continued from page* 14)

foreign held shares in the public utility industry was $233,000,000 with the railroads next in order with $154,000,000.

These holdings in their relation to the total number of shares outstanding show that foreigners own 2.6 per cent of the stock of manufacturing companies, 2.7 per cent of the public utilities, 3.5 per cent of the railroads and 2.6 per cent of the mining companies.

Such proportions are not alarming at first glance but we have had recent experience in what havoc concentrated selling can bring.

This naturally gives rise to the crucial question, What can be done to put an end to the sinister threat of enormous foot-loose foreign funds to American prosperity? It must be remembered that these foreign funds are unstable and foot-loose because they are what they are, that is, not generally productive investments, if productive at all. That part of them that has come in the last three or four years is largely speculative or is here to add to itself by market-wise accretion, or merely for safe storage. It will be prompted to run like a scared rabbit if it sees any safer place to which to run.

That is why serious consideration is being given to placing a heavy tax on foreign held American securities and the income derived from them.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACTS OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933

Of The Magazine of Wall Street *and* Business Analyst, published bi-weekly at New York, N. Y., for Oct. 1, 1937.

State of New York }
County of New York } ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared E. Kenneth Burger, who, having been duly sworn according to law, deposes and says that he is the Managing Editor of The Magazine of Wall Street *and* Business Analyst and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher—C. G. Wyckoff, 90 Broad Street, New York, N. Y.

Editor—None.

Managing Editor—E. Kenneth Burger, 90 Broad Street, New York, N. Y.

Business Managers—None.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.)

Ticker Publishing Company, Inc., 90 Broad Street, New York, N. Y.

C. G. Wyckoff, Inc. (Stockholder), 7 West 10th Street, Wilmington, Del., the stockholders of which are: C. G. Wyckoff, 90 Broad Street, New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.)

Cecelia G. Wyckoff (bondholder), 90 Broad Street, New York, N. Y.

C. G. Wyckoff, Inc. (bondholder), 7 West 10th Street, Wilmington, Del., the stockholders of which are: C. G. Wyckoff, 90 Broad Street, New York, N. Y.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the twelve months preceding the date shown above is—(This information is required from daily publications only.)

E. KENNETH BURGER
Managing Editor

Sworn to and subscribed before me this 27th day of September, 1937.
[Seal] RALPH J. SCHOONMAKER
Notary Public, Westchester County
(My commission expires March 30, 1939.)

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